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THE DAILY PRESS has recorded fully Henry Ford's lack of enthusiasm for the NRA and his refusal to "sign" the automobile code. That Mr. Ford should not welcome the Roosevelt experiment with open arms is not surprising. He has never been diffident in expounding his thoroughly individualistic views. In an Associated Press interview on March 14, 1931, he declared that government should "stick to the strict function of governing. That is a big-enough job. Let them let business alone." He told a New York *Times* reporter on January 31 last that it would be a bad thing for the workers to organize. "Organization," he said, "best serves evil purposes. Independence best serves good purposes." Despite Mr. Ford's individualism, out of place in this day and age, he appears to have been getting something less than an even break from the newspapers. True, the picture of a great industrialist standing out against the Roosevelt recovery machine can be described in exciting terms by gifted reporters. It has all the elements of human drama. But, alas, the description has not been wholly accurate. For one thing, Mr. Ford has been under no obligation to "sign" the automobile code. This document has not been signed by any automobile manufacturer. The entire industry, including the giant Ford enterprise, automatically came under the code the moment it was approved by the President. So it is not a question of Mr. Ford's accepting or rejecting the document, but simply a question of his abiding by it. Should he violate any of its provisions, he would be subject to penalty, precisely as would any other motor-car maker.

MR. FORD has also refrained from signing the blanket code which would entitle him to display the Blue Eagle on his plants and products. The blanket code is a temporary, volunteer agreement to speed the shortening of the working week and bolster wages pending the adoption of permanent codes. Why should any automobile manufacturer subscribe to the Blue Eagle code now that the permanent automobile code has been put into effect? In complying with the regulations of the latter he is doing everything that would be required of him under the blanket code. Yet the press and many public men are roundly abusing Mr. Ford for his refusal to fly the Blue Eagle. They are talking of boycotting his products. On the basis of the known facts there would be no justice in such a boycott—unless and until Mr. Ford violates the permanent code. Even then a boycott would be unnecessary, for the National Recovery Act definitely provides that "any violation of any provision" in a permanent code "shall be a misdemeanor and upon conviction thereof an offender shall be fined not more than $500 for each offense, and each day such violation continues shall be deemed a separate offense." In addition, the President may license the entire industry and refuse to give Mr. Ford a license if he does not behave. In such event the Ford Company would have to go out of business. Moreover, we might ask just who would benefit by a public boycott. Certainly not the public. Indeed, the benefits would go almost entirely to Mr. Ford's competitors. We must be pardoned, therefore, if we note our suspicion that much of the storm raging about Mr. Ford's head has been inspired by clever publicity men in the pay of these competitors.

THERE IS ANOTHER ANGLE to the Ford controversy. It is not only possible but probable that the storm was raised partly to divert public attention from the labor provisions of the automobile code. In any case it has had just that effect. The code contains the usual roseate promises with regard to maximum hours and minimum wages. Actually, however, the automobile workers are no better off than they were before. A few of the less skilled mechanics, or so it is presumed, have had their pay increased, but a majority of the workers, hitherto fairly well paid, may have their wages cut before long. There is nothing in the code to prevent it. Indeed, other industries have been prompt to take advantage of this weakness in the NRA formula by discharging their higher-paid employees and rehiring them or other workers at the stipulated minimum rates. The automobile industry itself followed a similar practice in the early years of the depression in order to maintain the fiction that wage scales were not being cut. The permanent code sets up a thirty-five-hour week, but here again we find a trick in terminology. The thirty-five-hour week may be "averaged" over a period of three months. In other words, the


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companies may work their men over time in rush reasons and lay them off in slack times so long as the number of working hours in a three-month period does not exceed an average of thirty-five hours a week. That is exactly what the motor industry has always done. It is hard to see how this scheme will make more jobs. Lastly, the employers may hire and fire individual workers and advance or demote them on a basis of merit or efficiency quite without regard to collective-bargaining agreements that might be entered into. Which, of course, makes the collective-bargaining guaranty of the National Recovery Act practically ineffective in the automobile industry.

THE ADDRESS of Jesse H. Jones, chairman of the Reconstruction Finance Corporation, before the convention of the American Bankers' Association was somewhat surprising. Mr. Jones said that the banks would have to be more liberal in lending to industry, which was well enough, but he went on to insist that it was the duty of the banks to borrow from the R. F. C. even if they did not need the money! "Let us assume," he told the bankers, "that you do not need any new capital in your banks, is it not wise, as well as patriotic, to go along with the preferred-stock program?" And he remarked at another point: "If a bank did not actually need additional capital, but should issue preferred stock and sell it to the R. F. C. and immediately invest the entire amount in 3¼ per cent government bonds, its direct loss would be infinitesimal." In other words, a bank should not only borrow from the government money it does not need, but it should even do so for the purpose of lending the money back to the government, and at a lower rate! Mr. Jones is seeking to convert what the framers of the law originally regarded as a privilege granted to the banks into a duty imposed on them. Not only is his proposal fantastic, but it is altogether probable that if the banks were to make loans of the type that Mr. Jones by implication wants them to make, they would face the immediate opposition of the Comptroller of the Currency and the State and federal bank examiners.

IT IS TRUE that many bankers are still shell-shocked from the March collapse, and retain a pathological desire to keep liquid. Mr. Jones's proposal, however, does not point to the way to restore their nerves and confidence. It indicates, rather, an almost reckless desire to risk the loss of more public funds in private business. It is probable, moreover, that even now most businesses are able to obtain sound short-term loans for merely seasonal needs. What many of them desperately need is new permanent working capital. Such capital is ordinarily supplied through the securities market. That source is not at present functioning, partly because underwriters are unwilling to assume the responsibilities imposed on them by the new securities act, and partly because the investing public has shown no desire to buy new securities. In this situation it may be well for Mr. Jones and others in the Administration, instead of attempting to compel the banks to make loans of a nature that they are either unwilling or unable to make, to consider David Lawrence's recent suggestion that intermediate-credit corporations be organized, one in each Federal Reserve district, to make from three- to five-year loans to sound business, and that the R. F. C. buy the preferred stock.

THE APPOINTMENT of John V. A. MacMurray to be Minister to Esthonia, Latvia, and Lithuania has given rise to reports, to quote the Baltimore *Sun*, "that he virtually will be the unofficial and unaccredited Minister of this country to Soviet Russia." The *Sun* goes on to suggest that Mr. MacMurray may become the first American Ambassador to the Soviet Union. These suggestions seem to be the outcome of an attempt to explain why a man who has been Minister to China and head of the Walter Hines Page School of International Relations should accept a relatively minor diplomatic post. Somewhat similar stories were published concerning Laurence Steinhardt when he was named Minister to Sweden. The reports have a common origin. Since 1920 every diplomatic and consular official assigned to a country bordering the Soviet Union has been specifically instructed to keep an eye on Russian affairs and to pass on to the State Department all pertinent information. In this sense we have had dozens of unaccredited ministers to Soviet Russia, although, to put the matter more frankly, these officials have really been engaged in a sort of genteel espionage. We do not know whether the Roosevelt Administration is planning to recognize Russia and send Mr. MacMurray or someone else to Moscow, but it is high time Russia was recognized and our relations with that country reestablished on a frank, open basis, if for no other reason than to put an end to this disgraceful and humiliating practice of depending upon a circle of diplomatic spies for information concerning a country as important and independent as our own.

THE REMOVAL of Otto C. Kiep from the German Consulate in New York is one of the hardest blows dealt to the United States by the Hitler Government. When Hitler came into power Germany had an able and useful Ambassador, Baron von Prittwitz, in Washington, and in New York Paul Schwartz and Dr. Kiep as Consul and Consul-general respectively. Now all three have been relieved. In Washington we have as Ambassador a former president of the Reichsbank, Hans Luther, who on his recent arrival in New York after his summer vacation repeated the old lies that Hitler had saved Europe from communism and that the Jews were not being ill-treated. Evidently the pre-war type of German official mentality still remains in some places; indeed, there is every reason to believe that Hitler and his immediate entourage, notably Dr. Rosenberg, his adviser on foreign affairs, are as ignorant of the psychology of other people as were the Kaiser and his aids when war came. As for Dr. Kiep, he had been extremely successful in winning friends for Germany and reestablishing the old relations of good-will—until the coming of Hitler undid it all. The United States would be the gainer if he should decide to remain here permanently.

THE CONFERENCE of progressives which met in Chicago at the beginning of September had among its delegates many representatives of the various farmer-labor movements as well as of the League for Independent Political Action, and decided to undertake the welding of all such groups into a national farmer-labor party. Headquarters are to be in the Middle West. In view of the present popularity of President Roosevelt this decision may seem surprising. The gathering was, however, radical in mood and aggressive in spirit. It was none too friendly to the NRA; it did not

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feel that Mr. Roosevelt had made it clear in what direction he was really going, and alarming reports from Iowa and other farming States as to actual conditions there made the delegates unanimous in feeling that a radical—although non-Communist — opposition should take form at once. The farmer delegates said frankly that they believed neither in plowing under parts of crops nor in the government's buying hogs to slaughter. They reported greater distress than ever.

THE PURCHASING POWER of the nation is apparently rising. According to Hugh S. Johnson, some 2,000,000 persons have been restored to the nation's pay roll, adding perhaps $30,000,000 a week in purchasing power. This is the first estimate to be given by the Recovery Administration. A recent statement by the National Industrial Conference Board gives an increase of 14.1 per cent in man hours worked in July compared with June and an increase of 10 per cent in actual persons employed. According to this statement, the added number of hours of employment has resulted in an increase in average weekly earnings of 3.6 per cent. But a disquieting fact is disclosed which partially offsets these encouraging figures: the cost of living increased in July sufficiently to balance the reported increase in average earnings. More people had wages and the total purchasing power was raised, but the real wages of employed persons remained stationary. The relation of rising prices to the success or failure of the Administration's efforts to restore prosperity should be included in any statements from Washington on wages and employment. These three factors go together, but the movement of prices is too often ignored. As Professor Ogburn pointed out in his letter to General Johnson announcing his resignation from the Consumers' Advisory Board, indices of prices and purchasing power—so far lacking—must be developed if the consumer is to be protected from costs which threaten to go up considerably faster than wages.

IN CREATING a Central Statistical Board, the President has taken a step necessary to any successful operation of the industrial-recovery program. The board is to consist of members appointed by the Secretaries of Labor, Interior, Agriculture, and Commerce, the Governor of the Federal Reserve Board, and the National Recovery Administrator. It will gather statistics showing the extent of reemployment, the amount of wages added to pay rolls, changes in hours, and information which might bear upon the allocation of production. It is to be hoped that the statistics compiled will not be merely for the purpose of trying to prove the success of the recovery act. The board ought to attempt to learn the effects of the act in all directions. For example, wherever the minimum wage fixed is substantially higher than that previously existing, the effects of this both upon the earnings of the concerns involved and on employment should be followed closely. In some districts in which labor has been exploited, for example, the new minimum wage may result in raising the income of some of the workers and in forcing the laying off of others entirely, especially the older ones. We should learn as much as possible not only of the number of such persons laid off, but of their subsequent success or lack of success in getting other employment. Even if the act should result in a substantial net increase of employment, the fact should not be allowed to obscure the fate of those whose earning capacity under existing conditions is below the new minimums set. Compilation of such figures, for one thing, may help to keep attention focused on the need for unemployment insurance and continuing relief.

IN RICHMOND, VIRGINIA, capital of the Confederacy, Negroes will serve on grand juries at the October term of the Criminal Court for the first time since Reconstruction Republicans ruled the South. This important decision is the direct result of another important decision, handed down by Judge James A. Lowell of the Federal District Court of Massachusetts last spring in the case of George Crawford, Negro. Virginia is attempting to extradite George Crawford in order to try him for the murder of Agnes Boeing Ilsley. The story of this crime was strikingly told in our issue of March 8. Judge Lowell granted a writ of habeas corpus, thereby halting extradition, on the ground that since qualified Negro citizens are not permitted to sit on grand juries in Virginia, Crawford had been denied that "equality of protection which has been secured by the Constitution." Judge Lowell's decision was appealed and in June was reversed by the Circuit Court of Appeals, which ordered that Crawford be surrendered. Crawford's lawyers appealed to the United States Supreme Court, which will hear the case some time this fall. If the Supreme Court supports Judge Lowell, a great victory will have been won for the Negro. But even if the Circuit Court is upheld, and Crawford is sent back, the action in Richmond indicates a civilized attitude toward outside criticism quite different from the hysteria which prevailed in Alabama during the Scottsboro trials.

JOHN STRACHEY, who loves so much to dwell upon the ironies of capitalism, must deeply regret that his book appeared too soon for him to include the latest speech of the British economist, Sir Josiah Stamp. That speech presented the rather complete irony of an economist appealing for the retardation of science before the British Association for the Advancement of Science. Sir Josiah remarked that if changes in social forms and human nature could not be made rapidly enough, science might end by ruining economic progress. This seems to bear out Mr. Strachey's contention that our modern capitalist economists, given a choice between capitalism and science, will choose capitalism. It still remains to be seen, however, whether science and capitalism have really become incompatible, or whether even the Communist system would solve the problem that rapid scientific changes create. That problem is primarily one of transitional unemployment. It may involve the dropping of men because machines have been discovered that can make the commodity better and more cheaply than they can, or because new discoveries have rendered the commodity obsolete. Some of these men can in prosperous times be quickly absorbed in other industries; others, even in the most prosperous times, may have acquired skills that have been rendered obsolete, and are forced either to learn new skills or to accept the wages of unskilled labor, if they can get even that. But the solution is never to slow up scientific progress, but rather to accelerate social progress. At the very least, capitalism must accept full responsibility for the technologically unemployed. For their insistence on the importance of this problem the Technocrats deserve our gratitude.

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# Our Job in Cuba

HOWEVER well-intentioned the Roosevelt Administration's Cuban policy may be, the rapid succession of events there has made plain that the State Department was inadequately prepared. It should have known, as *The Nation* has repeatedly emphasized, (1) that the removal of Machado was only an inevitable first step; (2) that the political, social, and economic consequences of that seven-year tyranny were not eradicated with the dictator and that their legacy would complicate Cuban affairs for years to come; and (3) that the satisfactory settlement of the Cuban problem is not a minor diplomatic task, as Ambassador Sumner Welles seemed to think, but a vital and integral part of our whole Latin American relationship. It is highly pertinent to assert here that the one fruitful field for our foreign policy today is in this hemisphere. Events in the Orient are being arbitrarily shaped by Japan. The failure at London emphasizes that we have relatively little to achieve through diplomatic means in Europe. But Latin America remains a great potential domain for a new diplomacy of rapprochement and good-will which, if properly executed, could produce incalculably great returns, material and spiritual.

The State Department is at present inadequately staffed for this major undertaking. Mr. Welles's assumption that he could settle Cuban affairs by disposing of Machado, and then dash to Washington and Montevideo to dispose of the rest of our Latin American relations, displayed a lack of appreciation of the importance and complexity of the Cuban problem. It will require the vigorous full-time attention of the ablest diplomat that we can produce, not for a few weeks or months, but for several years at least. Nor was it well considered to place the entire emphasis of the Welles mission on removing the dictator whom a previous United States Administration had kept in office, one who without such implicit support would long ago have been overthrown by the Cubans themselves. In venturing this criticism, we pay tribute to Mr. Welles's high purpose, his industrious devotion to the task, and to the transformation of his outlook from his imperialistic attitude of ten years ago.

Nevertheless, Mr. Welles, the department's ace in Latin American affairs, failed to plumb adequately the depths of the Cuban confusion. The revolt took him unawares. The nearly four months' delay in getting rid of Machado after Mr. Welles's arrival, following the years of intense suffering, had brought the temper of the Cuban people to the point where further explosions were inevitable. Nor did Machado's removal bring with it any solution of what is a new complicating factor in Cuba, although it is familiar in other Latin American countries—the professional army, which is bound to be a source of trouble until it is completely demobilized. Let this be stated as axiom number one of the Cuban situation. Machado's army, well equipped and paid through his loans from American bankers, was essentially a "white guard," in no sense needed for the defense of the country, but for the enforcement of dictatorship. With the dictator's flight, that army may be likened to an abandoned pirate ship, with all the menace to peaceful navigation of the derelict. Axiom number two is that, however tactfully achieved, the virtual selection of an administration by the United States dooms it as far as popular support within its own country is concerned.

As we go to press, Dr. Ramon Grau San Martin y Madrid has been elected provisional President of Cuba. Cuba has gone our brain trust one better. This professor of anatomy was one of the junta of five brought into power by the revolt of the rank and file of the army. In its inception this revolt did not represent any particular national aspiration or social idealism. It originated in the dissatisfaction of the rank and file, who, though better cared for under Machado than other proletarian Cubans, received in contrast to their officers only the crumbs of the feast. The revolt was an extension of anti-Machado sentiment and a quest for a larger share of perquisites. A report that the privates' pay and numbers were about to be reduced kindled the mutiny. The desire to eliminate Machado officers was understandable; but a Pretorian Guard is hydra-headed—those who replace the ousted officers are of the same stripe and more numerous. However, before this movement had gone far, it was partly captured by the student group, the Directorio Estudiantil. This, broadly speaking, is the youth of Cuba, high-minded, high-spirited, idealistic, hot-tempered—roughly of the same type, if we seek an American analogy, that dumped British tea into Boston Harbor and that fought at Lexington and Concord. It is not Communist, though there may be theoretical Communists in its ranks. It is radical, as the American revolutionaries were in their day, in that it feels that no mere reform solution will suffice and that the absentee ownership and financial control of the United States will have to be liquidated before the Cuban problem can be satisfactorily solved. This group had not the support of the more seasoned anti-Machado groups, represented by the old-line politicians who, however superior to Machado, have not in their previous control of Cuba's destinies exhibited social vision or political ability. The A. B. C., which integrates the most intelligent elements in different walks of Cuban life, is only in part represented in this student movement—though the two overlap. Neither group was enthusiastic about the mediation that resulted in the Cespedes coalition. The A. B. C. would doubtless not have moved as the students did, would not have approved the barracks revolt, would not have selected a junta composed of José Miguel Irizarri, Porfirio Franca, Dr. Guillermo Portela, Sergio Carbó, Sergeant (later Colonel) Fulgencio Batista, and Dr. Ramon Grau San Martin, and would not have picked the last as provisional President, although his general outlook is acceptable.

But revolutions do not move logically and on a schedule preordained—ordained, as in Cuba, either by the American Ambassador or by the native "best minds." Certainly Dr. Grau San Martin and his new associates, such as Dr. Chibas, represent a high degree of political integrity, of patriotism, of social vision and a greater sense of reality than the slow-moving Cespedes conglomeration. That recognition should be withheld even temporarily while the United States determines whether this administration is able "to maintain order" is another blunder on our part. The contrast between

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our automatic recognition of the Cespedes Government and the subsequent watchful-waiting policy connotes clearly that Washington is dubious, and furnishes aid and comfort to antagonistic elements. If there is antagonism in Cuba, well and good—but our own neutrality should be absolute. The United States can cause the downfall of every Cuban administration by withholding recognition until the Cuban people draw the cards we desire from the pack. All this furor of naval mobilization, this rushing of warships far beyond any need for the protection of life and property, is in effect a piece of international pressure politics. It would have been wiser to have kept the two or three destroyers, one each at Havana, Santiago, Cienfuegos, originally sent. They would have been ample. We have, moreover, a naval base at Guantanamo. That the Administration in part realizes how subject to misinterpretation its hasty and almost hysterical activity was is demonstrated by its later wisdom in not permitting Secretary Swanson to land at Havana. This unique incident, coupled with President Roosevelt's gesture in explaining matters to other Latin American diplomats, goes far to demonstrate our good intent.

But that is not enough. The situation is packed with dynamite. Intervention is to be avoided at all costs, and to succeed without it is the acid test of the effectiveness of our diplomacy. Washington should clearly understand that after allowing Machado for seven years free rein for his butcheries, it is highly paradoxical for us now to rush a vast flotilla to protect life and property, if and when menaced. The greatest contribution that we can make to Cuban reconstruction is to cease the obstructive interference of non-recognition and that implicit in fleet mobilization, and to appreciate that the best government in the long run for the Cubans is one which they develop for themselves. The full fruit of this assumption will, of course, have to be the scrapping of the Platt Amendment when our present inevitable responsibility shall have been fulfilled. And that fulfilment must include a new sugar agreement which will greatly enlarge the present Cuban quota and modify the strangulating tariff.

# Johnson's Coal Code

GENERAL JOHNSON'S coal code was probably not intended for the purpose of showing up the motives of the operators, but it succeeded in doing just that. Its terms were based upon the endless negotiations previously carried on and the twenty-odd conflicting codes previously submitted. The result, strangely enough, is not hash but rather a careful synthesis of the material at hand. And it expresses the Recovery Administration's final verdict on the labor issue in coal. On the one hand, the miners are guaranteed the right to organize and bargain collectively, not only in the general terms of the original statute, but in specific provisions for adjustment boards in the industry representing the "organized employees" and the employers; on the other hand, no single labor organization is given a monopoly of the field. Theoretically, at least, any union that establishes effective control even locally can claim the right to represent the miners.

The wage scale suggested is open to question. Why should miners in Alabama be paid $3 a day; in southern Colorado, $4.25; in northern Colorado, $5; in Montana, $5.63? These differentials are only partly based upon actual variations in living costs; for the most part they are mere habits arising out of local labor conditions. The proposed code also provides for checkweighmen chosen by the miners and gets around the debated question of the check-off by ruling that "any deductions from employees' pay shall be a matter of agreement" subject to the scrutiny of the administration. With certain specific exceptions, the hours of work are set at from 32 to 40 a week, and no more than 8 in any one day. The code also forbids the operators to compel employees to live in company houses or to trade in company stores, ending the vicious system of feudal domination in force in the coal fields. Fair prices for coal are to be fixed by agencies set up in the industry under the supervision of the Recovery Administration. The selling of coal below the fixed price will be a violation of the code. Other "unfair practices" are similarly defined, and authorities are established for administering the affairs of the industry, for marketing coal, and for handling disputes and grievances. The code will be reconsidered at a conference on December 1 between representatives of the employers and employees and the Recovery Administration.

Such, in brief résumé, is the code proposed by the government. Without doubt it was considered a workable plan and intended for adoption. But its effect was that of a hand grenade. The coal operators, with a few exceptions, blew up. Their reactions were violent, Administrator Johnson's counter-actions were even more violent, and diplomatic relations were temporarily in peril. But conversations were again resumed, with most of the operators drawn up behind a pronunciamiento which claims that the proposed code "deprives the owners of practically all of the rights of management and will destroy any efficient and economical methods of production." This document, which takes the form of a letter to General Johnson from the Alabama operators, says the code implies "political control of the basic functions of wages, prices, and distribution." It points out that the "sole function of government is political." It asserts that "political socialization of industry was not authorized by the recovery act." It calls attention to Mr. Richberg's repudiation of such aims and insists that "the so-called basic code" reversed the principles he laid down. It points out that the code excludes "any collective bargaining except that entered into by organized employees or unions," and mutilates "the principle of minority or individual representation." It criticizes the fair-price provisions of the code, and objects that the actions of the divisional "authorities" are to be "subjected to modification or veto by the administrator" or his agents. "The audacity of that clause is sufficient to disclose the theory of the code."

As we go to press the issue is joined between these operators and the emphatic but not always unyielding General, backed by a number of union operators and the United Mine Workers—though in both cases with some reservations. So far the Recovery Administration has stood by its guns and its assurances to the thousands of Pennsylvania miners who called off their recent strike at the President's request. If General Johnson succeeds in establishing his code, he will have gone far toward overthrowing an industrial autocracy as hard-bitten and ruthless and conscienceless as any in the country.

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# Protecting the Investor

INVESTMENT bankers, realizing that security legislation was inevitable, told Congress last spring that they favored and welcomed the proposed regulation of new issues—that is, in principle. They claimed they were only concerned that the law be fair and workable. Investment bankers, however, have a very high estimate of their own standards. In so far as the law prescribes a standard other than that they have been wont to follow, they are apt to take it for granted that the law is bad and their own standards are right. "Reputable" bankers still cling to the idea that security legislation was intended for the upstarts, not for the aristocrats of finance. The abuses connected with the Alleghany Corporation, Pennroad, Kreuger and Toll, Bolivian and Peruvian bonds, the National City Company, and the Insull flotations were just little accidents that happen in the best of families.

The nation's credit having been put back of the banks, insurance companies, and railroads, and some degree of economic stability having been achieved, many investment bankers would like to prepare for business as usual. The long-term market for new issues had been as unfavorable for months before the passage of the Securities Act as it has been since. There are few sound issues in which the bankers can see a quick profit with little risk. The absence of a new-issue market is due to many complicated economic facts in no wise related to the Securities Act. New issues of rails and municipals—which are exempt from the rigors of the Rayburn-Fletcher measure—are conspicuously few.

Yet reports emanate from banking circles that the new Securities Act is hampering business improvement. New construction, it is said, lags because of the absence of new capital issues, which bankers are unwilling to float in view of the onerous liabilities imposed by the Securities Act. Nothing is said of the fact that these liabilities attach only for failure to make a full and frank disclosure of the facts that should be available to investors. According to General Hugh S. Johnson, the bankers have not been very eager to assist in the field of short-term credits, to which the Securities Act does not apply. But when officials discuss with the bankers government and quasi-government loans, which are wholly outside the Securities Act, the bogy of the Securities Act is raised.

Veiled pressure and threatened strikes on the part of bankers are pretty poor tactics and are likely to prove a boomerang. Twenty years ago Justice Brandeis, in "Other People's Money," advocated the direct sale of government and municipal bonds without resort to the bankers, and Senator Costigan with penetrating prescience introduced a bill in the last session of Congress to make every postal-savings office a market for the purchase and sale of United States government bonds.

Sound new issues are not forthcoming now because of the uncertainties of the economic situation, but it is fortunate indeed that the Securities Act stands in the way of fraudulent unloading of unsound securities in the excited atmosphere of rumored inflation in connection with our future financial policy. This is the time of all others to protect the investor.

# Genius for Sale

RECENTLY we spent an evening with one of the most famous of modern astronomers. For several hours he talked with that brilliance for which he is noted, and succeeded in making us feel as small as a mere human being must always feel when confronted with the immensities of space and time. Megaparsecs of distance and light years of time were the only units he deigned to use, and he proved quite conclusively that neither man, the earth, nor even our own little solar system is of much importance *sub specie aeternitatis*. Life itself he dismissed as a phenomenon associated only with certain colloidal aggregates which might be entirely eliminated from the universe without making more than an infinitesimal difference in the bulk of existing matter; and, sometimes, he said, he wondered if we did not make entirely too much fuss about such trivial phenomena as war, revolution, and even "prosperity." After all, the whole history of mankind has occurred in what is less than the wink of an eye when measured by any reasonable scale of time.

In our ridiculous, homocentric fashion we protested that it was difficult for a hungry man to contemplate the universe, but he replied only that it really makes little difference whether the universe is contemplated or not; and it may be so. Nevertheless, as we look back upon the evening we realize that the remark which sank deepest into our time-bound and most uncosmic little mind was a remark only incidentally connected with astronomy at all. Our visitor was alluding to certain mathematical aspects of cosmology concerning which he himself was not an expert and which, as a matter of fact, are so abstruse that laymen like ourselves cannot even understand what it is that we do not understand. He was also telling us about a young man, insecurely connected with one of the great universities, who does know a great deal about the particular subject—more, indeed, than anyone else in the world—in spite of the fact that he is only twenty-three years old. The young man, it seems, is a real genius: one of those men simply born with a brain so far above the normal human level that he can do very easily what most persons cannot do at all. "Incidentally," concluded the astronomer, "he is looking for a job. If you would like to have a really high-powered man around, you can—for about $1,500 a year."

The remark brought us back to earth. Perhaps the depression has something to do with the price at which the services of this "really high-powered man" can be had, but probably hard times are not much to blame. Genius seems to be always more abundant than the uses which can be found for it in this blundering world, and it seldom can be sold in anything except a depression market. Indeed, we could not help thinking that the young man in question is lucky to have turned his mind in so abstruse a direction, for the simple reason that it will at least get him into less trouble than it would if he had happened to concern himself with dangerous matters like government, politics, and human welfare. He may starve; but in all probability no one will take the trouble to crucify him, and that, at least, is something to be thankful for. Who said that in the kingdom of the blind the one-eyed man is king? In any event, whoever said it was wrong. In the kingdom of the blind the one-eyed are usually kept in jail. They see too much.

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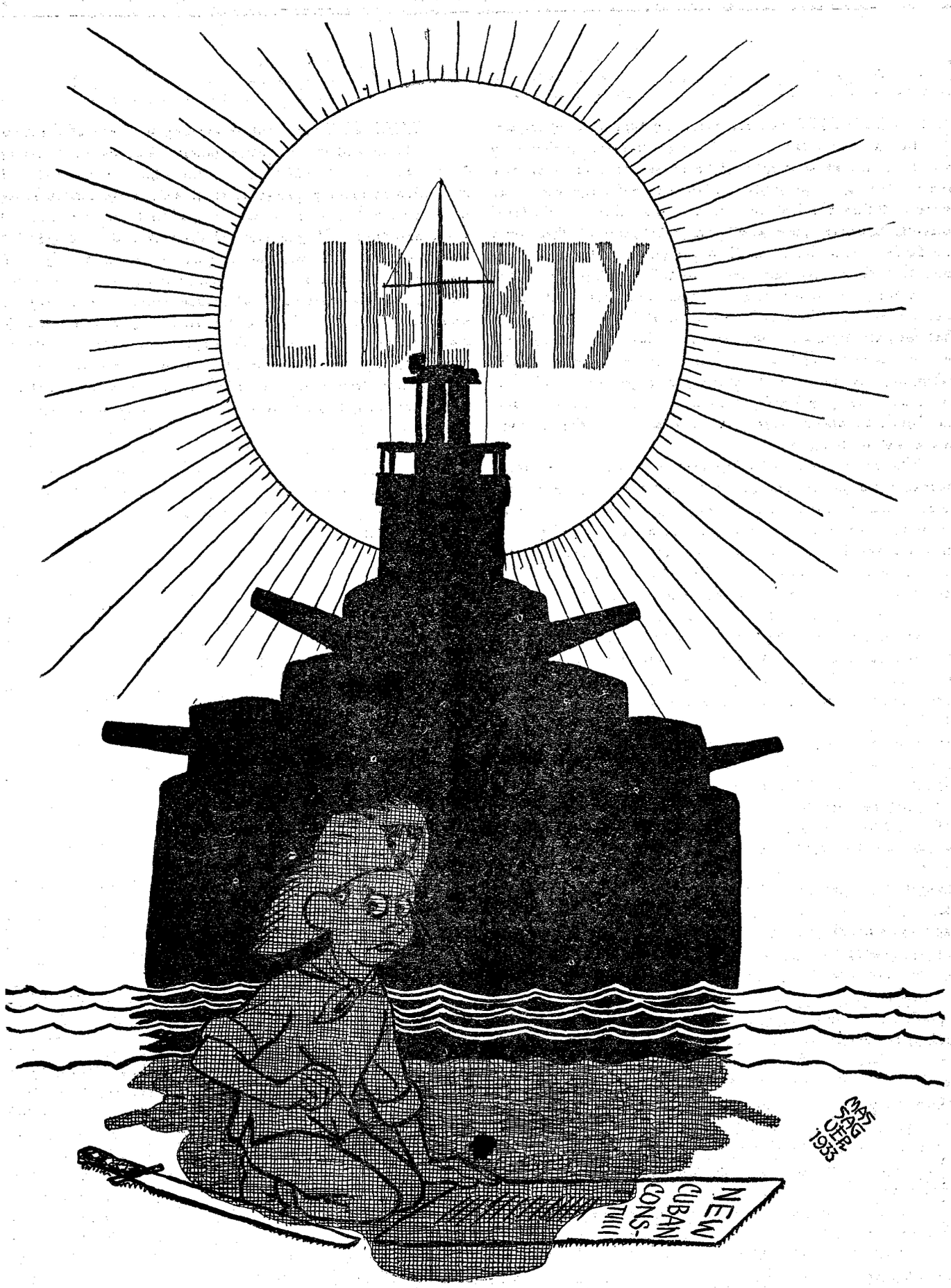


*The Shadow*

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# Issues and Men

## Sir Edward Grey

IT is never an easy thing to write of a deceased statesman. If you praise him, your eulogy is discounted, for plainly you do not wish to speak aught but good of a dead man. If you criticize him, then it is quite obvious that you are lacking in the essential decencies; you do not know that it is the worst possible taste to speak ill of a man who has hardly reached his grave. So you are expected not to tell the truth—even if the air is full of falsehoods about him. You are not to confute those lies when they are made, but are to wait until some more fitting time, presumably when his body has moldered in its grave and nobody cares any longer.

I am moved to these reflections by some of the comments on the death of Viscount Grey. Here is the New York *Evening Post* saying that in 1914 "Lord Grey stood to us as the symbol of the righteousness of the Allies and the unrighteousness of the Germans"; "he stood for the character and integrity of England against the atrocious Teutonic manhandling of the truth." Colonel E. M. House announces that "Lord Grey was one of the noblest figures I have ever known in public life. . . . His spoken word was as good as his written word. . . . With his death the world loses a statesman of the first rank, and one with an unsullied name." When I read such words as these it is not possible for me to stay my pen. For truth has greater rights than those of friendship, and I, for one, cannot but recall certain facts which cannot be spoken or written away—least of all by Colonel House.

What are they? First, that Sir Edward Grey, as he was known in 1914, was, more than anyone else, responsible for England's entering the war; and, second, that having made a binding verbal agreement with France to fight for it under certain contingencies and having repeatedly denied publicly that any such agreement existed, he demanded of the British people that they make the horrible sacrifice of their sons because of the commitments which rendered any other course incompatible "with the honor of the nation." As David Lloyd George, then Prime Minister of Great Britain, put it in the House of Commons on August 7, 1918, shortly before the Armistice:

> MR. LLOYD GEORGE: We had a compact with France that if she were wantonly attacked, the United Kingdom would go to her support.
>
> MR. HOGGE: We did not know that!
>
> MR. LLOYD GEORGE: If France were wantonly attacked.
>
> AN HONORABLE MEMBER: That is news.
>
> MR. LLOYD GEORGE: There was no compact as to what force we should bring into the arena. . . . Whatever arrangements we come to, I think history will show that we have more than kept the faith.

Mr. Hogge was wrong. He could and should have known that Mr. Lloyd George was right, for on August 6, 1914, at the very beginning of the war, Lord Lansdowne, speaking in the House of Lords, said that England must go to war for two reasons: "treaty obligations, and those other obligations which are not less sacred because they are not embodied in signed and sealed documents." He then continued:

> Under the one category fall our treaty obligations to Belgium. . . . To the other category belong our obligations to France—obligations of honor which have grown up in consequence of the close intimacy by which the two nations have been united during the last few years.

If further evidence is needed there is any amount of it. Marshal Joffre testified before a Paris commission on July 5, 1919:

> The intervention of England in the war had been anticipated. A military convention existed with England which could not be divulged as it bore a secret character.

In the French Chamber, on September 3, 1919, M. Franklin-Bouillon referred to the protection of the Anglo-French understanding of 1912, "which assured us of the support of six divisions." Lord Haldane, in his book "Before the War," stated that as far back as 1906 the military problem before him as Minister of War was "how to mobilize and concentrate at a place of assembly to be opposite the Belgian frontier" a British expeditionary force of 160,000 men. In the official records of the war, published in Great Britain, is to be found a memorandum of Sir Eyre Crowe to Lord Grey, dated July 31, 1914. He argued that it was quite correct to say that there was no written agreement binding England to France, but that the very existence of the Entente forged a *moral bond* compelling England to side with France and Russia: "This honorable expectation has been raised. We cannot repudiate it without exposing our good name to grave criticism." Lord Loreburn, in his book "How the War Came," says not only that there was an obligation, but that "the concealment from the Cabinet was protracted and must have been deliberate"—by the honorable Sir Edward Grey. There is the then Prime Minister, Asquith himself. Speaking on August 3, 1914, in the House of Commons, he said "that Great Britain was fighting to fulfil a solemn international obligation." If it be argued that he referred to the Belgian obligation, let us quote Austen Chamberlain in the House of Commons, February 8, 1922:

> We found ourselves on a certain Monday listening to a speech by Lord Grey at this box which brought us face to face with war and upon which followed our declaration. That was the first public notification to the country, or to anyone by the government of the day, of the position of the British Government and of the obligations which it had assumed.

This was not a pacifist who spoke, nor an anti-government and anti-war man, but Austen Chamberlain, the pro-war Conservative himself.

Now where did Sir Edward Grey stand during this time, this great lover of truth whose spoken word was as good as his written? On November 27, 1911, speaking in the House of Commons, he said:

> First of all let me try to put an end to some of the suspicions in regard to secrecy . . . We have laid before the

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> House the Secret Articles of the Agreement with France of 1904, and there are no other secret engagements. . . . For ourselves we have not made a single secret article of any kind since we came into office.

As Lord Arthur Ponsonby, to whose "Falsehood in War-Time" I am indebted for the preceding quotations, put it: "The whole of this is a careful and deliberate evasion of the real point." But assuming that Sir Edward Grey told the truth on that date, and that the commitment to France took place in 1912, the fact is that Sir Edward Grey continued his denials of any such alliance before the war, during the war, and after the war. For instance, on March 10, 1913, Lord Hugh Cecil said in the House of Commons:

> There is a very general belief that this country is under an obligation, not a treaty obligation, but an obligation owing to an assurance given by the Ministry in the course of diplomatic negotiations, to send a very large force out of this country to operate in Europe.

To this Mr. Asquith replied: "I ought to say that it is not true." But the unrest in the House of Commons would not down. On March 24, 1913, just two weeks later, Sir William Byles and Joseph King asked the Prime Minister what obligation there was "to France to send an armed force in certain contingencies to operate in Europe," and Joseph King asked "whether in 1905, 1908, or 1911 this country spontaneously offered to France the assistance of a British army to be landed on the continent to support France in the event of European hostilities." Again there came the official denial. When war came, however, Sir Edward Grey was of the first to declare that the honor of the nation was involved.

It then appeared that these agreements had not even been made known by him as Foreign Minister, or by Mr. Asquith as Prime Minister, to the entire Cabinet. Only a small group of ministers inside the Cabinet was permitted to know the truth. Even on August 3, 1914, Grey insisted "that we have no secret engagements which we should spring upon the House and tell the House that, because we had entered upon the engagement, there was an obligation of honor upon the country." In his book he defended the answers to the King-Byles questions by stating that they were absolutely true. "Parliament," he said, "has unqualified right to know of any agreements or arrangements that bind the country to action, or restrain its freedom. But it cannot be told of military and naval measures to meet possible contingencies." Compare this casuistry with Lloyd George's statement as late as April 7, 1930, when he praised Prime Minister MacDonald for his readiness to consult with the leaders of the Opposition concerning every phase of the negotiations of the Naval Disarmament Conference, and said: "We should know what we are being committed to because these commitments are matters of peace and war." Referring to 1914, he then said:

> If we were committed, we were committed to something which was very vague, but where it was a question of honor, whether there was a real commitment or not, we gave the benefit of the doubt to the others. We don't want those conditions to arise again. We don't want any commitment by which the French will assume we have incurred certain obligations which we did not intend to incur.

Needless to say, Viscount Grey, as he then was, never challenged these words of Lloyd George.

In the generations to come, if there is any reason left in the world after that World War to which England was committed so frivolously and so needlessly, people will everywhere wonder at a state of things by which the fate of a nation could be disposed of by a few high officials acting in complete secrecy. More than that, they will wonder that a Foreign Minister of Great Britain could be a man so little interested in the rest of the world that when the foreign affairs of the United Kingdom and its colonies and dominions were intrusted to him he had never but once set foot outside of Great Britain. Then he went over as a "tripper" to France for a Saturday and Sunday!

During the war nobody was more earnest in his propaganda to bring the United States into the conflict. No wonder Colonel House praises him. Together they had committed the United States to coming into the war in certain contingencies long before Mr. Wilson's campaign for reelection on the plank, "He kept us out of war." Not even Colonel House denies this now. One thing Viscount Grey wrote in a preface to "America and Freedom," an English edition of President Wilson's statements on the war, is worth quoting today:

> If the result of this war is to destroy in Germany the popularity of war—for before 1914 the prospect of war was popular, at any rate in books that were widely read there without resentment, if not with approval . . . then the world may have a peace and security that it has never yet known. . . . We want to be sure that when this war is over Germany will not begin to prepare and plan for the next war.

Lord Grey lived long enough to see Germany fall into the hands of a far more dangerous autocrat than the Kaiser ever dreamed of being. He lived to see Hitler and his associates pronounce war the greatest objective a country could possibly have, to see them expel or imprison all pacifists and the leading workers for the League of Nations, and begin the task of drilling and arming the youth of Germany from the age of ten years up, as they were never drilled by the militarists of the Kaiser.

In other words, he lived to behold, and Colonel House with him, the complete futility of all the bloody sacrifices of 1914-18 and the worse than futility of the so-called treaty of peace. If such men had real consciences—but let us not touch upon that. Perhaps their incredible belief in their own rectitude and infallibility and wisdom, and their admiration for one another's nobility and truthfulness, is a divine dispensation—so far as they are concerned. But the fact remains that between the nobility of the Kaiser, and the nobility of Lloyd George and Asquith, and the nobility of Sir Edward Grey and Colonel House and Woodrow Wilson and the Czar of Russia and a few others, liberty has perished in Germany, Russia, Italy, and Poland; and General Johnson assures us (last week in Chicago) that "the dictatorship in force in Russia, Germany, and Italy is repugnant to Americans, but we may have to resort to these methods if the NRA fails."

The next time international war comes, I'm in favor of having a few liars and dishonorable people in charge of several governments!

Oswald Garrison Villard

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# The Consumer and the NRA

By WILLIAM F. OGBURN

THE New Deal has two aspects. It is designed to meet an emergency but it also implies the realignment, over a long period, of social and economic forces. As emergency measures, the National Recovery Administration, the Agricultural Adjustment Administration, and the Federal Emergency Relief Administration have, it seems to me, favorable prospects for success, though I know that some of my very able colleagues in economics feel differently. The aim of these measures is to set the wheels of industry turning again and to put millions back to work by the time snow falls. Social and economic forces at the moment are working with the Roosevelt Administration. This is shown by the fact that the upturn in European countries has in general proceeded much as it has in this country although Europe has neither a New Deal nor a blue hawk.

By way of speeding up the process here we are trying to develop a market. In recovering from other business depressions we have had an expanding foreign market, a rapidly growing population, or some new industry that was buying heavily. None of these factors is operating strongly today. Therefore we are trying to build up a market among ourselves by increasing wages and thus purchasing power.

The theory runs that we can pay these higher wages out of sales of goods to ourselves. But the payment of wages comes before sales, and at this point assistance is needed from the banks, which can help by the expansion of bank credit. Industry figures it can pay higher wages if it can sell its goods at higher prices. The question seems to resolve itself into a race between higher wages and higher prices. Higher wages can be paid if we have higher prices, but to buy at higher prices we shall have to have still higher wages. These alternately increasing prices and wages can be met if we can increase the volume of money and credit. Such is the process of inflation, and indeed also of recovery from depressions. The progress of recovery, once it begins, will be aided by the fact that prices have dropped so low; purchasing power will increase more rapidly than wage rates because of the increase of employment and the demand for raw materials and producers' goods.

The real issue is price. If prices go up too fast and too high, they will get out of range of wages, salaries, and industrial purchasing agents, and a setback to recovery will occur. There may be some danger of that now, because of the talk of inflation, which acts as a tremendous spur to prices. The operations of the NRA, unless they are guarded, may have this effect temporarily. It is obvious that prices ought to be watched. The good to labor of raising minimum wages may be brought to naught if prices go too high, for if that occurs increased money wages may mean a decrease in real wages, that is, in their buying power. On the other hand, industry will not pay any wages at all unless it can get prices high enough to pay all costs and a little more. The question is how much more? This is a delicate problem—how to get prices high enough to lure industry but not too high for consumers. Consideration of price is, I think, the greatest need in the NRA today.

In order to attack this issue of prices, we need data. The codes now being formed should contain provisions for collecting data on costs regularly, extensively, and quickly, and such data should be sent either direct or in duplicate to the federal government. This information would be of value as far as the prices of single articles were concerned; and it would also provide basic data for forming more general index numbers on purchasing power and prices. In the absence of data necessary for planning and control, what is likely to happen? Price-raising is frowned on by President Roosevelt and General Johnson; but current index numbers show price rises, and complaints of particular prices indicate great increases. It is easier to mark up the price of what you sell than to pay higher wages.

The economics of the emergency program of the NRA can probably be made to work with the help of the commercial banks, with the help of the public-works program, and if need be with the help of additional supplies of money, now that we are off the gold standard. That it will move forward so rapidly that we shall not have millions to feed next winter from relief funds seems impossible. That it can be made to work so as to increase now the standard of consumption is not at all certain, and depends on whether prices can be kept sufficiently low to reduce the margin between selling price and cost price.

President Roosevelt and General Johnson are leaders of great ability, whose able services ought to be utilized as fully as possible for the gain desired. But like all successful leaders, they are subject to pressure. If the conservatives make a great show of strength, the line seems to give a little. When labor breaks forth with a bombardment along the industrial front, the line is pushed back. And no doubt if consumers called loudly enough for price boards they would be forthcoming. But it would be of course a great mistake for consumers to exert their pressure by not buying if they have money to buy with. Such tactics would destroy the market which is the basis of the whole program of recovery. But since consumers comprise both industries and housewives, their interest is that of both employer and employee; the consumers' call for a fair price is to the advantage of both capital and labor.

The New Deal is not only trying to pull us out of depression; it is doing an even more important thing. It is effecting a long-time realignment of industrial and social forces. Industry is organizing on a scale and at a speed never known before in our history. Labor has the best opportunity to organize that it has had since the Great War. Apparently not much growth of consumers' organizations is taking place, and the purchasing agents of business have only a loose organization. Cooperatives have never thrived greatly in this country. In view of the difficulty of organizing the great mass of ultimate consumers, the government, especially at a time when it is encouraging the organization of industry and labor, might well undertake to render the consumer certain services of an informational nature.

The first service should be prompt information on prices.

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But the consumer is not only interested in prices. He is also interested in quality. The advertiser gives some information about quality; but often it is misleading or erroneous. The code for retailers and the work of the Better Business Bureaus help somewhat, as well as such special legislation as the Food and Drug Act. But something much more extensive is needed, something approximating a bureau of standards for the ultimate consumer. This is said to be impossible politically. Suppose, it is pointed out, this bureau of standards demonstrated that the Never-Dull razor blade became dull ten times as fast as the Miracle razor blade, and the government disseminated this information widely. The Never-Dull people would at once set up a lobby in Congress to have the bureau's appropriation cut off. Multiply this illustration ten thousand times for paint, for disinfectants, for tires, and so forth. Obviously the life of such a bureau of standards would be snuffed out in record time, unless the experiment were conducted on a scale sufficiently grand to capture the imagination of the country. It would also be more feasible politically if there were numerous buyers' clubs to rally to its support. The movement toward a more adequate description of consumers' goods is slow; it greatly needs to be speeded and extended.

Perhaps the most significant development of the long-time set-up is the organization of industry in such a way as to weaken the forces of competition. To the idealist this is a step toward a planned society, a new order, because with competition lessened or eliminated the way is opened for social control. To the hard-boiled realist, on the other hand, it seems to be a push toward monopoly. He claims that we are likely to find ourselves, after all the fireworks are over, with a set of powerful cartels. Perhaps both forecasts are extreme. Actually the codes under which all our industries are organizing are making it possible to eliminate some of the factors of competition, thus enabling the industries to get closer together on price agreements.

Here is an illustration. A shirt-maker employs labor at $1.75 a week. He does not want to pay starvation wages but his competitor pays a still lower rate. Under a code which sets a minimum wage of $12 a week for the whole shirt-making industry no one will have competitive advantage. Of necessity, prices will be correspondingly higher for the consumer, but he is willing to pay in this case because he does not want an advantage that rests on sweatshop labor. So also the variations in costs resulting from child labor or long hours of labor are lessened by the codes, with the result that competition is weakened but the social welfare is improved.

The proposed codes, however, do not always arrive at such socially desirable results as the abolition of child labor and the setting of minimum wages and maximum hours. Sometimes an attempt is made to limit the hours of work of machines, in order to head off competition from a double or triple shift. For similar reasons attempts are made to prevent sales below cost or cost plus, or to make it obligatory to pay the middleman's differential. The elimination of such competitive factors as these is not so attractive to the consumer, who does not quite understand why he should have to pay higher prices when the social gain is not clear. The recovery act makes it legal to eliminate unfair competition, but not fair competition. Evidently there is need for interpretation of the term "unfair competition" and no doubt the courts will in time make it. Until then it will be necessary for the NRA to make its own interpretations. At this point, the advice of the Consumers' Advisory Board and of the legal department of the NRA must be considered. Sometimes it may be difficult to decide what is socially desirable and what is unfair. For instance, a proposed code restricts the extension of plant equipment. This restriction presumably lessens supply and hence weakens competition. The price may be higher as a result. Yet unrestricted competition has in general led, it is said, to overequipment on which the consumer pays interest. Is the construction of new plant equipment unfair competition?

If the interpretations are generous, industries may eliminate progressively more and more of the factors of competition. If they should go the theoretical limit, the result will be no more variation in price than we have under the purest monopoly. How far the industries may go in thus restricting competition we do not know, for in the years to come public opinion will change, as will also legislation and the personnel of the bench. In any case, the NRA has given industries a big boost in getting together, in understanding one another's problems, and in coming to agreements mutually advantageous.

Is it the aim of the New Deal to help industry along the road to cartels? Perhaps a partnership with the government is contemplated. Will this partnership mean chiefly the policing of agreements? No doubt the New Deal intends that the government shall furnish social guidance in this development. The greatest need for guidance will be on the question of prices. Under our present system prices have been kept down by competition. But as competition recedes, what will keep prices down? Consumers may buy substitutes at cheaper prices. They may refuse to buy, en masse, every few years, but at a social cost not unlike that of the depression of the past three years. Is this what the New Deal is leading to? No one, not even conservative business, wants to have to resort to more frequent and severer business depressions in order to check prices. Is the alternative price-control boards, or shall we enlarge the scope and call them planning boards? The countries in Europe with cartels have found it necessary to have such boards. It may not be difficult to develop a sentiment for price boards in this country if cartels develop. For it is probable that only a few industries will early become cartellized and these are likely to be the key industries, which directly supply the great mass of businesses with raw materials and producers' goods and indirectly supply the ultimate consumer. How effectively such boards may work is also an open question.

These realignments of industry are taking place today through the codes that are being adopted by the NRA. If we think that competition should be maintained, then only a few provisions restricting competition should be allowed in the codes. And when monopolistic practices appear, the services of the Federal Trade Commission, the courts, and other agencies should be invoked. If we like the idea of a transition from a competitive economy to a planned and controlled economy, then we ought not to delay the planning and control too long. For the game is on. The codes now going into effect should be watched very carefully by the Consumers' Advisory Board for the many restrictions on competition which are being proposed. The industries should furnish adequate statistics on costs, wages, employment, and

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prices. The government should make speed in furnishing more comprehensive data on retail prices at more frequent intervals than at present, and it should develop better reporting on pay rolls and purchasing power. Perhaps the best technique for control, especially in regard to business depressions, is an index of the ratio of total money values of goods and services to total purchasing power. In some industries planning and control boards should be thought out and perhaps put in operation soon. Sooner or later the problem of price control will become acute.

# Danger Still in Austria

By JOHN GUNTHER

*Vienna, August 25*

THE inner history of the Nazi onslaught on Austria during the past few months is one of the strangest stories ever heard anywhere. A big country, Germany, has set out to conquer a small one, Austria, by political and economic pressure instead of military force. Pamphlets instead of bombs are dropped from airplanes and the sibilant whisper of radio replaces the thunder of guns. The business has not been merely "an obvious outrage on the accepted usages of international intercourse," not merely an attempt to incite revolution in a neighboring country. For this there would be precedents. The German attack on Austria is something quite new. It is a sort of war. The frontiers have been crossed, albeit bloodlessly. Austria is to be seized, punished, and assimilated—without fighting. But war it is.

This sort of warfare has no rules. There are no regulations in the textbooks about it. Hence some of the extraordinary confusions that have resulted. The diplomats fumbled in Berlin, not realizing they were trying to checkmate no ordinary diplomatic process but a subtle and dangerous experiment in bloodless belligerence. So far the Nazis have failed. But there is no telling what the next attack may bring about.

Hitler wants desperately to gobble Austria for a variety of reasons. (1) Hitler himself is an Austrian, and emotionally he views Austria's "misbehavior" as direct repudiation by his own people and thus an unforgivable assault on his personal prestige. Not enough has been written about the implications of Hitler's personal Austrianism. It is not generally known, for instance, that his private residence in Berchtesgaden, where this summer he has spent most of his time, is within five miles of the Austrian frontier and only an hour's journey from the Austrian valley town where he was born. (2) Assimilation of Austria is the top point in the official Nazi program. Hitlerism means Pan-Germanism or nothing. How can the Nazis assert the pure and dominant unity of the reborn German nation while 6,500,000 Austrian Germans are laughing at Berlin? (3) Faced with a succession of catastrophes in foreign policy the Nazis simply had to try and make good their Austrian boasts. Their domestic prestige demanded it. Moreover, a divertissement on the Austrian border cloaked unpleasantnesses at home. (4) Should Hitler succeed in incorporating Austria into the Reich—against the same opposition which defeated Brüning on the customs-union plan—the might of the new Germany in international affairs would trenchantly be proved.

The struggle to accomplish this has written one word out of European politics and added another. There is little talk of Anschluss any longer. True, Austria is to be annexed, but by a less direct process than formal amalgamation. The Germans realize that formal Anschluss is possible now only at the cost of real war, and they don't want real war—yet. So Austria is simply to be *gleichgeschaltet,* reduced to conformity, as were Bavaria and Saxony, without political change of the frontiers. Let there be a Nazi prime minister in Vienna getting daily instructions from Berlin, and the job is done. The Austrians are not only going to be conquered; they are going to be made to conquer themselves. Thus the paradox that this extremely belligerent policy of a nation militaristically inclined had to be expressed in "peaceful" terms. The process was a sort of spiritual dragooning; bullying with the white flag wrapped around the big stick.

The fight has gone through several distinct phases; I should say three. The pain and astonishment in Germany when Austria refused to lie quiet and be eaten were enormous. Almost from the outset the Germans treated Austria not as an independent country but as an obstreperous and rebellious province.

First came a phase, roughly from March 5 till the middle of June, during which the Nazi Party was allowed legally to exist and operate in Austria, and the most convenient means of pressure was direct domestic propaganda. In this period came a great deal of Nazi swashbuckling throughout the country: the visit of the German Minister, Dr. Frank, and his expulsion; Chancellor Dollfuss's first trip to Rome to look for help; the rapid growth of Nazi sentiment in the big towns; Nazi flirtations with the Heimwehr; the expulsion of the Austrian press attaché, Dr. Wasserbäck, from Berlin; and much agitation by German agents working on Austrian soil. A young Junker named Von Alvensleben attempted to assassinate Dr. Steidle, the Tyrolese Heimwehr leader. He had a false passport *furnished by the Munich police.* Some Heimwehr lads were mangled by a bomb thrown by Nazis near Krems. Then on June 11 Chancellor Dollfuss replied by outlawing the Nazi Party, thus ending this phase of the struggle.

Meantime Hitler had sentenced any German tourist applying for an Austrian visa to a 1,000-mark fine. This was a serious weapon. The tourist industry is extremely important to Austria, and in Salzburg, Vorarlberg, and Tyrol probably 90 per cent of the summer visitors are customarily German. This was phase number two, and there presently emerged a curious sort of indirect terrorism. In late June and early July bombs popped all over Austria. They seldom did much damage. There were few casualties. The bombs were used for their nuisance value. They were designed to frighten visitors other than German from entering Austria. It was a peculiarly mean sort of warfare, fought on the issue of tourist traffic.

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The third and last phase was overt attack. Airplanes, by mid-July, were flooding Salzburg and other border towns with leaflets vilifying the Dollfuss Government. The Munich radio barked bitter denunciation of Austria. Dollfuss had jailed or thrown out of the country all the Nazi agents he could find; the exiles, notably Theo Habicht, Hitler's "inspector for Austria," clustered in Bavaria and started to propagandize Austria into submission. There came border raids and pot-shooting along the frontier. The planes continued to pepper down their pamphlets. They are masterpieces of bullying slander. The tension presently grew intolerable, not only for Austria but for the strained nerves of the Great Powers, and on August 7 the Powers protested in Berlin.

Now occurred one of the oddest diplomatic imbroglios on record. The British charge d'affaires and the French ambassador, after having to wait cooling their heels for two days, presented an identical démarche. The case was put that Germany's activities in Austria violated both the new Four-Power Pact and Article 80 of the Treaty of Versailles guaranteeing the independence of Austria. But meantime the British and the French had been informed that the Italian government, independently, had procured promises from the German government that Germany would "do its best" to halt the airplane and radio raids, and that Germany, while accepting no responsibility for the acts of terrorism committed against the Austrian government, disapproved of them. This satisfied the British and the French. They had forgotten all about "scraps of paper." This was a verbal one. Not two hours after the British and the French left the Wilhelmstrasse, the official Wolff Bureau brought the news that the British-French démarche had been rejected by the German government, in curt terms, as "inadmissible."

Thus the German government told Mussolini one thing, and the British and the French another. The British, annoyed, nevertheless announced to the Austrian charge d'affaires in London that the German pledge to Mussolini would presumably hold good. It did—for about half a day. That night, August 9, again Herr Habicht's voice roared through the ether, piling calumny on calumny against the Dollfuss Government. The airplane raids, it is true, ceased. But the radio campaign, far from halting, was intensified. Then came the revelations of the Austrian official organ, the *Reichspost*, uncovering the secret espionage system of the Nazis in Austria, and alleging both the formation of an "Austrian Legion" on German soil for subsequent use against Austria and the participation of the German legation in Vienna in illegal—not to say undiplomatic—activities.

Germany promised Italy, be it noted, only to "do its best" to halt these outrages. Its best was not very good. Germany being a totalitarian state, the inescapable inference is that it did not try very hard. On the other hand, the pledge to Italy has not been talked about in detail by the Germans, and the Italians have never elucidated its concrete terms, if any. The most charitable explanation of the seeming breach of faith is that the broadcasts, for reasons of internal prestige, could only be tapered off gradually; and the hope is that eventually they will indeed stop. If they don't, Mussolini's own prestige is bound to suffer. It is almost as dangerous for a statesman to be lied to as to lie. The British and French, meantime, are furious. And Mussolini went out of his way to be politically and personally cordial to Dollfuss when the little Austrian went again, on August 20, to visit him.

There is great quality to this little Dollfuss. I admit he is a black Catholic reactionary. It is unfortunate that he has to tie himself to the Heimwehr. But it is extremely fatiguing for those of us here on the firing line to hear from points some thousands of miles away complaints about his malefic qualities. Certainly he is anti-Marxist. But the Marxists ought to thank their stars that he is on the job. The big point is to keep the Nazis out. Dollfuss is the only man in Austria capable of success in this immense task. The Social Democrats themselves know this perfectly well. Many Social Democrat leaders have, it is true, simply stuck their heads in the sand and pretended that the events of these past few months have never happened, or are only a bad dream. But most of the others know that it is better to be mildly grilled than murdered. Dollfuss is, at the moment, the best defense of the achievements of socialism in Austria against the Nazis. He is a chin stuck out on behalf of the Socialists to take Nazi blows. The Socialists, if they have any sense, will use him in this capacity to the utmost, and take their chances later, if he survives, in resumption of the traditional Austrian fight between his party and theirs. If he goes down, they go too, and into a Nazi purgatory.

In his fight Dollfuss faces several acute dangers which might be outlined as follows. (1) Defeatism. Most Austrians don't like fighting. They fear that they "can't win." Heroism does not become the gentle, sophisticated, civilized Austrian nation. And there is always the peril, so to speak, of Austria reverting to type. (2) Dollfuss is fighting both an external and a civil war. His people are, after all, Germans. The Nazis would poll probably 25 per cent of the electorate. He is thus fighting not only 65,000,000 Germans but a quarter of his own people. (3) Economic distress. The best ally the Germans have is the Treaty of Versailles. Austria is not *viable*. And the worse the depression grows, the richer food Hitlerism has to fatten on.

But Dollfuss is in an interesting tactical and strategical position. The more violently the Nazis attack him, the better pretext he continues to have to rule semi-dictatorially. The Nazis, by an odd paradox, need *electoral* success for victory; they have to persuade the people to vote away their liberty. The alternative is violence, and in Austria violence has been tried to such an extent that there remain only the weapons of overt Putsch or civil war, neither of which, probably, the Nazis will try. Meantime, by adducing the gravity of the crisis, Dollfuss can stave off elections almost indefinitely. Moreover, Dollfuss has veritably awakened something of an Austrian national spirit. The very vigor of the Nazi campaign has backed Austria against the wall of its own patriotism.

There have always been three academic "solutions" to the Austrian "problem." Austria must unite with Germany in an Anschluss, with Hungary in a rump-resurrection of the empire, or with the Little Entente in a Danube federation. Dollfuss has calmly said no to all three. He is convinced that Austria can live alone; he wants to turn Austria into a sort of Switzerland, incorrigibly neutral, peaceful, and independent. It is a fight against long odds. He certainly needs money. He even got it. The Lausanne loan, bringing some $40,000,000 to Austria last month, was a drop in the bucket, but it was something of a triumph in these bone-

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picked years to get anything at all. Of course, by the loan the Powers are simply lending Austria enough to continue payment on the service of old debts.

The chief actor in the whole story is probably neither Hitler nor Dollfuss but Mussolini. He in particular and the Powers in general do not want a *Gleichschaltung* between Germany and Austria. This would wreck the structure of the peace treaties, encourage Germany to further experiments in prestige politics, and bring Prussia to the Brenner Pass. Indeed, the solicitude of the Powers has not been primarily for Austria. There are nasty little episodes almost daily these days: a Nazi incursion into Switzerland, kidnappings in the Saar, propaganda in Scandinavia, much Hitlerite activity even in what was formerly German East Africa. Dollfuss himself believes that if the Nazis take Austria they will inevitably turn to Hungary and Czecho-Slovakia next, even to Switzerland and Denmark.

Yet Mussolini needs friendship with Germany and must write his Austrian policy with great caution. His present objective seems to be an Italo-Austro-Hungarian bloc. Hitler flirted with Hungary, in rage at first being turned down by Austria; it is even said that he promised Gömbös a "slice of Burgenland"—that is, "German" territory—as eventual reward for an alliance; but Mussolini quickly called Hungary to order. Some people believe that Hitler and Mussolini may make some sort of deal; that the chief danger to Dollfuss is, in fact, his dependence on Italy. I have even heard it said that France and Czecho-Slovakia would be willing to "sacrifice" Austria, knowing that the resultant Austro-Germany would force Italy once and for all into French arms. But this is unlikely. Mussolini remains the best possible mediator between Germany and Austria. And meantime the major reaction to Hitlerism throughout all Europe remains the same. Out of common apprehension of Germany almost all the Powers are getting together. The Little Entente wants to make terms with Hungary, and Italy with Jugoslavia. The Bessarabian question between Russia and Rumania seems settled. Hitler has served to housebreak Mussolini and make even Litvinov semi-respectable. Such are the miracles Nazism brings daily to the world.

# Can Life Insurance Be Made Safe?

By JAMES P. SULLIVAN and DAVID D. STANSBURY

NO list of popular American pastimes can be complete which does not include the very intriguing game of chasing the savings and investment dollar. And no list of the chasers is complete which does not include the legal-reserve life-insurance companies. Originally intended to afford complete protection for the funds of widows and orphans, these companies have been perverted into an unsound species of banking concern; they are today primarily demand-banking houses investing their depositors' funds on long-term, non-demand-banking principles; the payment of death benefits to widows and orphans has become a secondary function.

By reason of the cloak of mystery with which they have succeeded in surrounding the mechanics of their operations, these companies have been particularly well fitted to bear the expense which intensive and extensive participation in the game calls for. No concern selling securities or investments to the public on a conservative and decent basis can afford to disburse more than a very small percentage of its income as selling expense. But the life-insurance company receives, say, a first premium of $100. Of this amount only $40 is needed to cover the cost of the life insurance afforded; the remaining $60 is paid in as a savings deposit to build up the cash value. Yet the company has been able to pay the selling agent anywhere from 50 to 90 or even 100 per cent of the $60 for his success in bringing it in.

With such an advantage over their competitors in the race for possession of the savings dollar, it is but natural that the life-insurance companies have secured more of the quarry than any other type of investment concern. At the last count they held over twenty billions of these savings dollars. Just as naturally the sales managers and agents, with such high rewards for sales, have been very successful in dressing up the article they have to sell with features which appear attractive and profitable to the unwary buyer; the sales propaganda at times verges on misrepresentation and in not a few instances is complete misrepresentation, discoverable, however, only by an initiate. Even as recently as nine months ago the leading spokesman for "life insurance as an investment" evoked a vision of the day when every savings dollar would be put into what he called "investment life insurance" to the exclusion of what he called "speculative" investments—that is, all other usual forms of savings and investments.

In a myriad of sales letters, talks, and leaflets the life-insurance policy has been endowed with the following qualities *as an investment:* (1) extraordinary safety and security, second only to a government obligation; (2) unequaled marketability and collateral value, better (*sic*) than a government obligation; (3) almost entire freedom from taxation, a particularly attractive quality; and (4) a compound-interest return (*sic*) in excess of 5 per cent. That combination has been labeled a "fake" by one of our most intelligent and honest bankers, but any such criticism is easily laughed off as destructive by the beneficiaries of the high commissions and salaries and the extravagant profits.

Of course the day of reckoning had to come for this type of operation. However, the bellwethers of the business did not realize that they were going to be called on to make good on their four promises—security, availability, low taxation, and high interest return. Not until they were well into the present depression did they awaken to the seriousness of their situation. After two years of the crisis they began to take measures to meet the serious condition.

Did they then begin to cut expenses and salaries? No, indeed. Did they cut or eliminate dividends? Not in many instances, and then only very slightly (the so-called return must be kept up in order that old business may be induced to continue paying and new sales be expanded). Did they soft-pedal the investment sales talk, in order not to pile up more and more demand obligations to be met at a later, more

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difficult, date? No, indeed. Did they allow the weak members to be closed up and liquidated as their financial condition became obviously very unsound? Not at all.

The measures taken to meet the depression were all purely palliative. Securities were given fictitious valuations, fixed by the convention of insurance commissioners but not obtainable in any market, in order to make it possible for companies to make annual statements which gave the appearance of solvency; the effort to sell more and more high-premium policies, containing very little real life insurance, was doubled and redoubled, in order to keep the inflow of new cash ahead of the demand by old depositors; the manifold benefits of life insurance as a readily liquid investment were advertised more than ever before; dividends which were not earned were paid to both policy-holders and stockholders in order to keep unimpaired the confidence necessary if the new cash was to be kept coming in; loans were obtained from the Reconstruction Finance Corporation on such of the almost frozen assets as would be accepted by that friendly lender of the public funds; every possible effort, whether economically sound or not, was made to keep every company, no matter how near to insolvency and receivership, open for business. The plea was that the good name of life insurance as an investment must be preserved at any cost.

The whole program of the life-insurance business for meeting the problems of the depression, up to March, 1933, can be briefly stated as follows: We must keep the inflow of new investment dollars up to such a figure that it will suffice to meet all expenses, claims, and cash- and loan-value demands (the banking withdrawals) without compelling us to sell or liquidate any of our badly frozen and depreciated securities at the market prices. It was nothing more or less than the old Ponzi racket on a gigantic scale. It was countenanced by the public because of public fears that if anything were done to the life-insurance companies the millions of interested widows and orphans would be injured.

But like every other effort to work the Ponzi system, and in accordance with Mr. Vanderlip's definition of an investment "fake," the day of reckoning came at long-delayed last. By the end of 1932 it was apparent that even the hypodermics of fictitious values, R. F. C. loans, unearned dividends, and forced sales at high pressure could not save many of the shells which such methods had developed. The problem was perhaps the most serious single problem of our domestic condition. There was no question that something must be done and done quickly if dozens, and even hundreds, of receiverships among the companies were to be avoided.

As usual the companies and their managers chose a palliative, not a cure. A moratorium which has distinctly impaired the "good name" of legal-reserve life insurance "as an investment" was chosen as the solution of the problem. Fortunately for the weak companies, the utter necessity of some such step came at a time when the national banking moratorium had to be declared. In the feeling of awe and consternation of those early March days the life-insurance moratorium was accepted by the general public in the same spirit of cooperation and acquiescence with which the banking moratorium was accepted. It was generally thought that the need for a moratorium on life-insurance cash and loan values was caused by the same forces which made the banking moratorium necessary; it was generally thought that the two moratoriums would be handled in the same manner—that when the banking moratorium was lifted, the life-insurance moratorium would also be ended.

But it soon became apparent that those two general impressions were much mistaken; the necessity for the life-insurance moratorium was much greater and was caused by much more serious inner impairments than that of the banks; and the life-insurance moratorium is still on in most States, even though a majority of the banks were open for business within a comparatively short time.

No one who knows the condition of these life-insurance banking concerns questions the necessity for some action to save them; in fact, some action should have been taken a year, or even two years, before March, 1933. But time will show that the moratorium was not only an unwarranted but an ineffective measure. These companies, as they are now conducted, are unquestionably more banking concerns for deposit and accumulation of savings than they are insurance concerns. The moratorium affects only the paying teller's window of these frozen banks. The withdrawing saver cannot get his money. But during the more than five months of the moratorium, the receiving teller's window has been wide open. New deposits have been freely accepted; in fact, the agents have been actively at work soliciting new deposits, and the successful agent has been rewarded as usual with his regular high commission for his success in securing new deposits for the receiving teller; the companies have even gone to the extreme of telling old depositors that unless they continued to make deposits, by paying their renewal premiums, they would be penalized by the loss of protection!

We have seen many new developments in the economics of the capitalist system in the past few months but none which defies sane explanation as does this performance of the life-insurance companies. For the buyer and the policy-holder the principal result is that he has been kept in utter darkness about the condition of the banking concern to which he has had to send his money unless he was willing to leave his wife and children without life-insurance protection. For instance, early in May the insurance commissioner of Illinois, appearing before the State senate in opposition to a resolution calling for an investigation of the life-insurance companies, and in favor of a law which would make him a dictator over all life-insurance companies and their contract obligations, stated that he knew that 5 per cent of the life insurance in the country was in insolvent companies; that one-fifth of that amount was in Illinois companies which were insolvent. This was equivalent to saying that to his knowledge a total of $1,100,000,000 of the insurance in Illinois companies was in insolvent companies. At the last count there were twenty-four companies in Illinois; their total insurance in force was $1,600,000,000. Thus 70 per cent of Illinois life insurance was carried by insolvent companies, according to the insurance commissioner's informed statement.

Yet all the Illinois companies are continuing to operate under the cloak of the moratorium. No announcement has been made by the commissioner as to the names of the insolvent ones; they still accept deposits with all the brazen front of a solvent company; their agents continue to solicit new purchases by unwary buyers; the companies themselves compel continued deposits in the regular way!

The condition in Illinois is not unique; practically the same condition exists in the other States of the Union, in some cases not quite so bad, in others worse. And the mora-

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torium of over five months has not operated to improve the condition. Of course the whole proceeding is strictly illegal and unconstitutional because it impairs the obligation of the contracts (policies). If the moratorium were working a cure, making the strong companies stronger and putting the weak companies on the road to solvency, it might all be worth while, unconstitutional as it is. But all the evidence is the other way. The *Insurance Field,* a trade paper existing on the advertising money spent with it by the companies and agents, on May 26 last said editorially:

> When the insurance departments began imposing restrictions on loans and surrender values, many anticipated that the companies would build up cash reserves against the time when the restrictions would be relaxed. But that has not followed for several reasons. A large proportion of old policy-holders are taking advantage of the permission to use their cash values to pay renewal premiums instead of paying in cash as formerly, while the new business is below normal and a heavy lapse ratio has reduced renewal premiums. In addition, the payment of interest and principal on mortgage loans has fallen off.

The *National Underwriter,* another trade paper supported in the same way, on May 19 last said editorially:

> The situation confronting life companies at present is far from being roseate so far as their cash position is concerned. . . . The number of applications for loans has not abated. . . . The danger of runs on companies for loans and surrenders has so far not been averted.

No evidence has been produced to show that the general situation has improved since those editorials were published.

The problem which faces the individual policy-holder at this juncture can be given only cursory treatment here. It can be said, however, that if a man who wants his money will have a good lawyer write a letter stating unequivocally that court action will be taken if the money is not forthcoming at once, he will receive what is due him under his policy contract provided he is dealing with a company which is able to pay. He will not have to make any affidavits of necessity or pauperism. Of course if he is so unfortunate as to be insured by a company which is not able to pay, he cannot get his money, but he can at least determine whether he wants to put any more money into such a concern.

Wrong and shortsighted as have been the methods pursued in the past three years by these demand-banking concerns, there is still a way out for those companies which are willing to go to the root of the trouble and perform the operation of complete separation of the banking department from the insurance or risk-coverage department. In fact, without further delay, every company which is not able and willing at once to open its paying teller's window as widely as its receiving teller's window should be taken in hand by the courts or the commissioners and reorganized for honest operation as a life-insurance company without demand-banking obligations. This can be done through an amazingly simple method. The banking assets to the amount of the total cash- and loan-value obligations should be turned over to a trustee for liquidation if, as, and when possible. Every policy-holder should be given an "asset-participation certificate" for the amount of the present cash value of his policy, less any outstanding loans against it; this certificate should be freely transferable, so that he can sell it and get some cash if he so desires without losing his life insurance. As the trustee liquidates the old assets, the certificate holder receives his share of the cash funds, just as he does in the liquidation of any bank or trust.

At the same time that he receives his certificate of interest in the assets the policy-holder should be given a rider to attach to his policy by the terms of which he is given all the life insurance, to the last dollar, which was in his original policy, at the same rates of premium which the companies pay to each other, very safely, when they buy insurance from each other. The form of his policy, as reorganized, will be exactly the form of policy which the companies buy from each other in the process called reinsurance. This would reduce the amount of cash premium required from each policy-holder by from 30 to 90 per cent of his old premium; not because his new life insurance is any cheaper than his old, but because, under the rider, he would no longer be required to pay in the bank-deposit part of his premium. The rider should provide for conversion back to the higher premium form at will by the insured, except that after such reconversion the policy shall be without demand-banking privileges of any kind.

As above stated, every company which is unable or unwilling to meet its obligations in full today should be compelled at once to reorganize on this basis. Any company which is farsighted enough to be willing to reorganize thus before it is compelled to do so should be given that privilege. Whenever any sound company gets into a condition of unsoundness it should be compelled to reorganize. A great sum of money could be saved for the public by creating one huge trust into which the frozen assets of all reorganized companies could be put for liquidation at a minimum of expense.

The foregoing is a brief statement of the general principles underlying the only kind of reorganization of unsound companies which will save the institution of legal-reserve life insurance for the benefit of the people for whom it was built—beneficiaries, widows, and orphans. Any company so reorganized will be able to meet its only obligations—death claims and expenses; its expenses of operation will be enormously reduced; it can then continue to accept premiums, and solicit new premiums honestly, because it will be making good on every promise in its contracts. It will be beyond danger from banking panics because it will not be in the demand-banking business. There is no more sound reason for the close hook-up between life insurance and demand banking which has existed for the past forty years than for the affiliation of savings and commercial banks with investment and security houses—a relationship which has been found to be so unwise that national legislation has been passed against it.

Unless the life-insurance bellwethers now finally look the facts in the face and take the necessary steps to get at the root of the trouble, we are sure finally to have a debacle in life-insurance banking which will make our other banking tragedies seem like pink teas. When the solution is so simple, so practical, so actuarially sound, and so certainly necessary, it is difficult to see why it is not adopted at once. Only the high-salary, high-commission, high-stock-dividend groups oppose it.

[*This is the first of two articles on life insurance. The second, Honest Life Insurance—the Massachusetts Plan, by William L. Grossman, will appear next week.*]

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# In the Driftway

WHETHER it is his natural sympathy for the underdog or his usual contrariness the Drifter cannot tell, but he finds himself inclined to tender a bouquet among all the brickbats that are flying in the direction of Huey Long. Of the incident which gave rise to the Senatorial black eye the Drifter has heard only a little more than he read in the newspapers (which at times are marvels of discretion), but that little is not such as to make him pro- rather than anti-Long. He thinks that if the Gentleman from Louisiana, like the night, had "a thousand eyes," he would be lucky to have fewer than 999 of them in mourning. But the war is over, and should not be carried on, like that against Germany, beyond the battlefields. The Drifter approves of the eye-blacking administered to the Kingfish, but he regrets to see it followed by a campaign in Louisiana to deprive the spectacular Huey of his seat in the Senate. That is carrying a black eye too far.

* * * * *

FOR after all the Drifter can think of few men in the Senate that give the public more for its $10,000 a year than Huey Long. He is one of those picturesque, individualistic figures who still linger in public life and raise sessions of the Senate above the level of boredom. He may be 90 per cent wrong but he is 99 per cent entertaining. He represents an old tradition in public life, going back at least as far as President Jackson. In recent years men of his type have come mostly from the South, the last home of individualism in politics, and though they may have shamed their constituents at times, they have titillated the rest of the country almost continuously. The Kingfish belongs to the eminently useful genus of hell raisers. His virtue is that he is not constructive. While his constructive colleagues are cooking up legislation in behalf of special interests and writing various kinds of mischief on the statute books, he is occupied in denouncing them, and he does so much denouncing that he is bound to hit the bull's eye now and then. We live in an age in which little is to be expected of our legislators save bread and circuses. Those who pretend to supply the bread often pass out only boloney, but Huey Long never fails with the circuses.

* * * * *

THE *Police Gazette* is back on the newsstands, full of memories for many who in their early years absorbed much useful but improper—or useful because improper—information from its pages while waiting their turn in the barber-shop. The old *Police Gazette* began to dwindle years ago, and finally was disposed of at a bankruptcy sale last year for a few hundred dollars. It has been revived with the old title head, the old pink paper, and much the old character, though as a concession to the times the paper and the illustrations are better. The new editor—is that also a concession to the times?—is the daughter of a Methodist minister and a graduate of a college of that denomination in Oregon. Not only is the body of the magazine reminiscent of older days, but so are the advertising columns. There are offers of vim and vigor to discouraged men, there are suggestions to "lonely hearts" to join correspondence clubs and so find ideal mates, there are announcements of "real French art photos" (you know the kind), there is the lure of the "hot memoirs of a sin sister," and—this is a strictly modern touch—there is an advertisement of a book on "Rackets Within the Law."

* * * * *

THE revival of the *Police Gazette* is in keeping with the modern cult for the old-fashioned—with the digging up of the biographies of early American worthies and unworthies, with the restoration of old houses, with the craze for sailing-ship models, Currier and Ives prints, hooked rugs, and all that. But there are some obstacles. The great appeal of the old *Police Gazette* was as a peep-hole on sex. For this purpose it was sufficient to show about two inches of a woman's stocking above the shoe top (women's shoes came just above the ankles in those days) with the skirt tossed up as by a bold and indelicate wind. Some excessively daring pictures would show a woman's knee. It is hard to conceive what clothes an artist or photographer can take off nowadays to carry the suggestion of wickedness that went with those old pictures. Perhaps they will try bundling the modern woman up in muslins and calicoes instead. Anyhow it will be instructive to watch the life or death of the new-old *Police Gazette*. There is no accounting for what people will read nowadays. Some of them read even this column.

THE DRIFTER

# Correspondence

## The New Deal in Hollywood

TO THE EDITORS OF THE NATION:

The strike which recently "ended" in the motion-picture studios of Hollywood was due to the producers' refusal to deal with the sound technicians, although they had agreed to do so in a pact signed with the unions in 1926, intended to settle such situations. These men, who are highly skilled, were working up to twenty hours a day, seven days a week, with no additional pay for over time, at a rate of from $25 to $60 a week, amid high salaries ranging from $100 to $5,000 a week. Moreover, they had periods of unemployment between pictures ranging from one to four weeks. The sound men's union finally called a strike. Two days later the other crafts went out in sympathy. The producers set about immediately tying up a group of camera men, the men hardest to replace, with contracts calling for fabulous salaries.

Then the International Brotherhood of Electrical Workers, a union which had an agreement with the striking unions (I. A. T. S. E.) giving the latter exclusive jurisdiction over all electrical workers actually employed in the making of pictures, was called upon to, and obligingly did, supply strike-breakers. The I. B. E. W. then claimed that they had jurisdiction over the sound and electrical workers. The producers agreed and immediately signed a contract with them to supply all their future needs. Another union, the United Brotherhood of Carpenters, filled the places of the striking studio grips (stage hands).

The strikers found themselves not only in a battle with their powerful employers but also with two organized unions affiliated with the "great" American Federation of Labor, which were out to gain something for themselves while their fellow-unionists were backed against the wall. The strikers appealed

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to the United States government to force the producers to arbitrate. Secretary Perkins sent two federal conciliators. The producers refused to see these men and evaded any and all arbitration or mediation. Nevertheless, the conciliators recommended that the strike be ended and the men taken back upon the same terms and without prejudice. Appeals to President Green of the A. F. of L. to do something about an affiliated union's strike-breaking brought only telegrams of condolence which meant nothing. The strikers then appealed to the newly created National Labor Board of the NRA. Dr. Leo Wolman, its acting chairman, asked Governor Rolph to appoint someone to mediate. Timothy Reardon was appointed and his recommendations were the same as those of the federal conciliators. Evidently these recommendations were lost in transit.

The strikers were desperate, as they saw that nothing was being done and that more camera men were being signed by the producers. Judge Ben Lindsey went by plane to Washington. Appeals were sent to *The Nation* and the *New Republic*. William Evans, chief of the Los Angeles headquarters of the NRA, also went to Washington to demand immediate action. After three days of blah the Labor Board finally reached its decision. The striking workers went mad with joy when Leo Wolman wired:

> The National Labor Board announced yesterday afternoon the following decision for the settlement of the motion-picture workers' strike in California: (1) that strike be called off at the suggestion of National Labor Board; (2) that employees be taken back without prejudice, strikers to be given preference before new employees are taken on, and that they may retain membershp in their organization, it being understood that this involves no change in the industrial-relations policy of the motion-picture industry; (3) that there be no discrimination against membership in any union; (4) that jurisdiction questions be settled by the A. F. of L.—pending settlement of these jurisdiction disputes no strikes shall be called; (5) that disputes as to the interpretation of this agreement shall be decided by the National Labor Board and both parties agree to accept decision of this board as final and binding. The board is assured that all parties will cooperate in carrying out this agreement.

The next morning the men crowded outside the studio gates. Just about a hundred men, in most cases the highly skilled ones who could not be replaced, were taken back. The rest, close to four thousand, were politely told that the jobs were filled—by union scabs. But in the future, should there be any openings, they would be hired "without prejudice," providing they joined the strike-breaking unions. The strike overnight became a lockout. The men are helpless, as they are bound by the NRA Labor Board decision not to strike again. The leaders wrote the motion-picture producers a very polite note reminding them of the NRA decision, but they are still waiting for a reply.

So the "new deal" has come to Hollywood in the form of unemployment to men who have loyally worked in the studios for many years. The men are bitter. Some pace the streets in a daze. Rumblings are heard about murder, beatings, and sabotage. In one day the homes of two camera men were stoned. Several strike-breakers were beaten. What the men may do does not take much effort to imagine. The producers, though they accepted the decision of the NRA, have politely refused to abide by its rulings. In the meantime, one of the strongest unions in the country is broken in body and spirit; the men are locked out as a result of the treachery of a handful of camera men, the knavery of two unions, the brotherly spirit of the A. F. of L., and the great power and influence of the NRA.

*Los Angeles, Cal., August 28* SYMPATHIZER

# Mr. Troy Explains

TO THE EDITORS OF THE NATION:

I should like to take objection to a rather bold statement made by William Troy in his absorbing article on the movies in the issue of August 30. This is not induced by any racial "chip-on-the-shoulder" attitude, but rather by a sincerely scientific desire to know how Mr. Troy arrived at his conclusion that the characters in the picture "Another Language" could not have been anything but Jewish.

It seems to me that the family as portrayed is a typical middle-class American family—not characteristically Jewish at all—lacking higher aesthetic and intellectual values so completely that it neither understands nor appreciates them in the wife of the youngest son. If I have overlooked some subtle points in the play that might classify the characters as typically Jewish I am interested in knowing what they are.

*New York, August 30* SUBSCRIBER

[Perhaps my statement suffered in clarity and gained in "boldness" by being too much cramped between the parentheses which I believed the smallness of the point deserved. It was the intense solidarity and the matriarchal organization of the family group in Miss Franken's play which made me more inclined to identify it as a middle-class Jewish family than as a "typical middle-class American family," whatever that may be. If there was any criticism in the remark, it was directed not against the former important class but against Miss Franken, who apparently did not wish to take all the risks involved in limiting her background more explicitly.—WILLIAM TROY]

# The Story of All Miners

TO THE EDITORS OF THE NATION:

I once wrote a story about the coal mines. I am a miner and have written lots of stories about the mines, but here I am referring to a pathetic story that was different from the general run of mine stories. Nobody got killed in the story—it was about an old miner, Jake, who worked in the mines day after day. He never met with any serious accident. Often he smashed his fingers, cut himself with a piece of jagged rock shot down from the top, and often he lit a pocket of gas and crawling out from under it, got hot as hell. His joints got rheumatic from working in water, but the story wasn't about any of these. It was about the miners' work, day after day, and a sort of gnawing fear that went with it. Jake wasn't a coward—far from it—but there was something that seemed to eat him up from the inside, a static fear that was always present. The constant danger—danger of rocks that come crashing down, danger of rushing clouds of smoke and fire, many dangers. Sometimes, after an explosion in a nearby mine or after a neighboring worker had been crushed, this fear was more acute, but it was always there.

At the mine where Jake worked there was a peculiar kind of top. The miners called it a "silent top." It fell without any preliminaries of cracking and popping. You never heard anything until it hit the bottom; if it hit you, you never heard anything at all. The rocks fell out of the top in hemispherical shapes like kettles. The miners called them pots. No pots hit Jake, but there was the constant danger, the fear—not a hysterical fear, but a deep, gnawing fear.

I handed the story to a college professor of the short story in a large Midwest school. He criticized it severely. There was no story there, he said. It lacked climax and content. I

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had written several stories that he liked very much—stories of shot firers stuck on mine walls like flies, and other disasters. After the criticism offered by the professor, I never submitted the story anywhere for publication; I never tried to rewrite it.

Since then I have thought much about the theme of the story. Maybe it wasn't well written, but the story, I contend, is the one great story of the mines—the story of all times and all miners. Stories of accidents and disasters are stories of incidents. They may be interesting studies but they are not fundamental. So far I have never seen this story in print.

HORACE BRYAN

*Commonwealth College, Mena, Ark., September 8*

## Newspaper Writers' Chance

TO THE EDITORS OF THE NATION:

While the workers in the mechanical departments of American newspapers are very largely and very thoroughly organized, there exist in the United States at the present time only two unions of editorial-room employees—Newspaper Writers' Union No. 9, in Milwaukee, Wisconsin, and Newspaper Writers' Union No. 3, in Scranton, Pennsylvania. Editorial-room workers on many newspapers in many cities long have been dissatisfied with the conditions under which they work and the pay they receive, but until now the "white-collar" tradition which differentiated them from their fellows in the composing-room seems to have been too strong to overcome. Their chance has come at last, however, and through the NRA, news and editorial writers now may organize under the protection of the federal government and with the assurance that they will not, in so organizing, be risking loss of their jobs. Unions so organized would eventually be affiliated with the American Federation of Labor, and the members of these organizations would be given the full benefit of connection with this powerful nation-wide labor organization.

Newspaper men and women who are interested in forming a strong protective organization are invited to write to the undersigned or to Charles W. Taylor, Secretary, Newspaper Writers' Union No. 9, 536 West Juneau Avenue, Milwaukee, Wisconsin.

*Milwaukee, Wis., August 14* HERBERT H. RYAN
President, Newspaper Writers' Union No. 9.

## "The Black Worker"

TO THE EDITORS OF THE NATION:

In his review of "The Beginning of Marxian Socialism in France" Benjamin Stolberg refers to "The Black Worker" as a study of unusual breadth and penetration. "The Black Worker" was written by Sterling D. Spero and Abram L. Harris, and was not, as Mr. Stolberg states, the work of Mr. Harris alone.

*New York, August 5* WILLIAM VICTOR GOLDBERG

## Letters of Matthew B. Brady

TO THE EDITORS OF THE NATION:

I am engaged on a biography of Matthew B. Brady, the Civil War photographer (1823-1896), and it would be of great assistance if you could print a note of inquiry for unpublished letters by or about Brady, personal recollections, and the like.

*Brighton, Mass., August 21* CHARLES FLATO


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# Books and Drama

## Mr. Wells Again

*The Shape of Things to Come.* By H. G. Wells. The Macmillan Company. $2.50.

THERE is plenty of life in the Old Master yet. There is enough meat in his sixty-sixth book to make the reputation of a new man, and while the basic pattern is little altered from that which he adopted *circa* 1912, still the new decorations are as original as those usually disclosed when an old place of public entertainment reopens.

"The Shape of Things to Come" is a sort of "Looking Backward." In it the course of human history from the World War to the year 2106 is reviewed from the point of view of a learned publicist of that date. In this fashion Mr. Wells has his little joke; he is able to say what he damned well pleases about the present and its dramatis personae; and he is not embarrassed by the necessity of stopping on July 1, 1933, in order to make the publisher's deadline. In fact he only notices the present in order that he may review the future. Mr. Wells's favorite word is ***mañana.***

In the old days Wells used to have Utopia a-coming in with each succeeding spring; but the aftermath of the World War has sobered him a little and in this latest treatise he imagines that a century of pretty horrible suffering intervenes between the collapse of capitalism and the actual establishment of the World State. What goes on in that century is, briefly, this: the depression continues, deepening and deepening as the years pass by, and from 1935 to 1965 the world passes through the period of maximum insecurity; between 1940 and 1965 a succession of air and gas wars is fought in the Far East and Europe; they are brought to a conclusion by the economic exhaustion of the participants; schools close down, public services lapse, the world disintegrates into more or less isolated fractions with millions dragging out their lives at unskilful subsistence farming; but the impedimenta of capitalist civilization, material and mental, still clutter the earth. The foci of activity are the airports of the world, and along about 1950 the aviators begin to develop an international system of control which reintroduces trade and production for the market, but exists outside of the rudimentary remains of nationalistic state organizations and arbitrarily appropriates such factories and other production units as can be reconditioned. By progressive steps the aviators assert their dominance and in 1965 proclaim a World State and begin to consolidate their gains by initiating a long struggle with the vestigial remains of the old order, summoned into phantom activity by the revival the aviators have initiated. In 2059 they complete their task and the world, completely renovated, passes from their control into the hands of the true World Staters, who thereupon devote their energies to extending the basic principles according to H. G. Wells (or rather that great thinker Gustave De Windt, author of "Social Nucleation," 1942), with fancy additions from the repertory of experimental biology and other sciences.

But, you ask, where is the revolution? Well, it seems that while the Communists won over nine-tenths of the farmers and workers by 1945 they were unable to engineer an insurrection because of the opposition of the aviators, the experimental scientists, the engineers, and the intelligent sociologists like Raymond Fosdick, Charles Beard, and a sizable collection of Wells's other admirations. In brief, the book is grounded in the familiar Wells notions: Marxism minus the class struggle and the dictatorship of the proletariat, for which last is substituted the rule of the intellectual elite, in this book called the World Fellowship. Nevertheless, the book is fascinating—full of vastly interesting ideas, extraordinary insights into contemporary affairs and future drifts, brilliantly "actual" portrayals of a *possible* future—and altogether well worth any man's money even if he winces when Wells hails Ortega y Gasset, Major C. H. Douglas, Maynard Keynes, and Howard Scott as people of prescience, the liberators of mankind. What a scramble of notions Mr. Wells has: Lenin and Scott, Marx and Harry Barnes, Henry George and I. A. Richards, all contribute to his store of wisdom. The mere range of reference is extraordinary. And H. G. Wells is sixty-seven this year.

C. HARTLEY GRATTAN

## Hitler via Ebert

*The Kaiser Goes: The Generals Remain.* By Theodor Plivier. Translated from the German by A. W. Wheen. The Macmillan Company. $2.

IN 1923 a book was brought out here that is going to be increasingly referred to by all those who wish to understand what has happened in Germany. It was entitled "The German Revolution and After," and its author, Heinrich Strobel, was a prominent Socialist who was for many years editor of *Vorwärts* but broke with the party during the war and joined the Independent Socialists. His position among the Marxist parties of the period—the Sparticists, the Independent Socialists, and the Social Democrats—was therefore centrist, a fact which adds weight to his carefully documented analysis of Social Democratic tactics during and after the revolution of November, 1918. In the light of events which were the inevitable consequences of these tactics and to which Strobel in 1923 already refers almost as *faits accomplis,* it is a book that makes heartbreaking reading.

It is no detraction of Plivier's novel to say that it is a fictionalized version of Strobel's history. By localizing the anonymous mass eruption in typical fumaroles, by piecing out the thoughts, emotions, and conversations of the leaders from authentic speeches and letters, he has dramatized what Strobel has irrefutably documented, namely, that the German revolution of November, 1918, was not a "popular" bourgeois-democratic revolution whose object was merely to abolish the monarchy and institute a republic—the interpretation which the Social Democrats chose to read into it and which has been generally accepted abroad—but a distinctly proletarian revolution in which no other class had any initiative. To the very end the growing consciousness of national defeat inspired no thought of revolution in the upper and middle classes or even in the Social Democratic Party leaders, but only a desire for peace. On the fifth of October the last imperial Chancellor, Prince Max of Baden, was able to write: "Thank God, in the Social Democrats I have men on my side . . . with their help I hope to save the Emperor." And when the revolution came despite the efforts of the Social Democrats to avert it, it captured its objectives with such thoroughness and celerity that no possible excuse was left for tactical compromise.

Plivier emphasizes that the compromise which the revolution was forced to make was not with the Junkers or bourgeoisie, for the crisis left both these classes without any bargaining power. The revolutionary proletariat was forced to compromise with its own Social Democratic bureaucracy, whose betrayal of Socialist principles during the war had not wiped out their symbolic appeal as the traditional standard bearers of the masses. And the Social Democratic bureaucrats, whose dread of revolution was a monomania to which all other considerations were subordinated, made use of the pathetic confidence of the victorious masses to disarm them and deliver them

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back to their Junker turnkeys. The criminal insanity of this course reached a horrible *reductio ad absurdum* at the time of the Kapp Putsch, when the coddled Junker mercenaries of the Ebert regime decided that the time had come to seize nominal as well as actual power and the German proletariat in its last revolutionary spasm rallied to the defense of its "Socialist" government and crushed the rebellion by a general strike. After the counter-revolution collapsed, military tribunals headed by Junker officers were set up to pacify the country, and "workers who had armed themselves and risen in defense of democracy became the prey of those bodies of troops which had tolerated the rebels with unmistakable benevolence." Hundreds of workers were executed by the government they were guilty of saving until *Vorwärts* was obliged to come out with the cry "Down with the military tribunals."

One of the most effective chapters in the book is Plivier's almost cinematic portrayal of the Kiel mutiny. Here the author of "The Kaiser's Coolies," who must have been a participant himself, is at home. The growth of the mutiny out of a thousand "latrine rumors," its vacillating progress from ship to ship and from ship to shore until it burst upon North Germany in an inundating tide, are a vivid re-creation of mass dynamics. Finding himself a prisoner, the governor of Kiel wired to Berlin, which sent the Social Democrat, Noske, to negotiate with the sailors. When he arrived at Kiel, the wily Noske maneuvered to have himself elected president of the Sailors' Council. What Noske did at Kiel was repeated on a larger scale at Berlin. The Social Democrats maneuvered themselves into the guardianship of a revolution they had done their best to throttle, disarmed the workers and sailors, emasculated the authority of the Soldiers' Councils, and restored that of the officers. The novel ends on a note of ominous counterpoint. In the Reichstag the first meeting of the Workers' and Soldiers' Council concludes with three cheers for the German Soviet Republic. In the Chancellery Ebert is in communication on the phone with General von Groener arranging the terms of an alliance between the Officers' Corps and the Social Democratic Party "to fight bolshevism."

One of the brazen-faced myths which the Nazis are trying to erect into history is that their ascent to power was a revolution. If Hitler's accession was a revolution, never was there such close cooperation between a revolution and the government it was supposed to overthrow. Imagine a revolution in which the government invites the chief revolutionist to become Chancellor so that he may supervise its downfall. Imagine a revolution carried out under the protection of the government's own chief of police, with the army and navy in readiness to help. Plivier makes it abundantly clear why Hitler's march to power was a parade instead of a battle. The battle had already been won for him by Ebert, Scheidemann, and Noske.

ALTER BRODY

# Static Pathos

*Robino and Other Stories.* By Umberto Fracchia. Translated from the Italian by Sir S. H. Scott. Robert O. Ballou. $1.50.

*The Black Boxer.* By H. E. Bates. Robert O. Ballou. $2.

UMBERTO FRACCHIA'S reputation has grown steadily since his early death three years ago as the result of an accident, and now Sir Samuel Scott has chosen four stories from "Piccola Gente di Città" to introduce him to the English-reading public. It requires a strenuous and immediate sympathetic adjustment to cope with or even tolerate Fracchia's sentimentalism, for he represents an Italian modality which finds no counterpart in English literature except in the rather remote Victorian tradition. Fracchia filters his material from a sea of tears. In depicting the tragedy of small souls, of his "piccola gente di città," he overworks to exasperation whatever pathetic elements he can bring within his scope. He has, on the other hand, a special gift for adroitly capturing mood and atmosphere and for individualizing his characters. His Autumn Rain, for instance, contains no plot, no dynamic implications, yet one finds in it a rather effective picture, gray in tone, quiet, extremely touching.

This same spirit of static pathos permeates the eleven tales in "The Black Boxer" of H. E. Bates, a young English story-teller still in his twenties. Of course Bates endeavors to cultivate the heroic in place of the pathetic. The Ponto in The Mower, the Johann in The Hessian Prisoner, and the Pike in A Threshing Day for Esther have been molded from the same epic clay. Bates loves to depict the "he-man" in all his rugged, Rabelaisian masculinity. But otherwise most of the tales in "The Black Boxer" reveal the same frail quality which characterizes all of Fracchia's work. Without recourse to the obvious tricks of the short-story realists now in vogue, Bates portrays his farmers and shopkeepers and paints his landscape and mood in a way to stir the most apathetic reader. He attains this poignancy quite uncannily, with an ease and savoir faire comparable to Coppard's. His is, in brief, an art of suggestion and well-chosen words, and Charlotte Esmond and The Hessian Prisoner deserve unstinted praise.

But curiously enough, neither Fracchia nor Bates philosophizes about or ponders over the grievous social forces responsible for the characters' woe. In the case of Fracchia, it is because, wrapped as he is in a literary attitude, his morale points to Christian resignation, and the insidious, ineffective comment, "Life is like that," seems to recur in every climax. In the case of Bates, however, the agonists voice a deep note of discontent, but a note which emanates from inner conflict rather than from the palpable social disturbances actuating them. Despite this lack of social discernment one must admit that "The Black Boxer" is a distinguished accomplishment and marks a distinct step forward in Bates's career. He has given ample evidence of a more colorful variety, a richer diapason, and one feels all the time the presence of a first-rate story-teller.

ANGEL FLORES

# Monetary Control Versus Industrial Control

*Monetary Theory and the Trade Cycle.* By Friedrich A. Hayek. Harcourt, Brace and Company. $2.

*Economic Cycles and Crises.* By William C. Schluter. Sears Publishing Company. $2.50.

DR. HAYEK'S book, a translation of a German work published in 1929, breaks into the current controversy over programs of economic recovery with a sledge-hammer blow at the announced policy of the Roosevelt Administration first to "reflate" prices to the level at which debts were contracted, and thereafter to stabilize them. For it is the aim of his book to refute the "theories which have led to the belief that by stabilizing the general price level all the disturbing monetary causes would be eliminated." And while Dr. Hayek emphasizes the monetary causes which *start* cyclical fluctuations, he has no confidence that one can cure a depression by monetary means. "To combat the depression by a forced credit expansion is to attempt to cure the evil by the very means which brought it about." In his view the easy credit policy of the Federal Reserve System in 1927, together with the attempts to prevent liquidation once the crisis had come, is responsible for

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the exceptional severity and duration of the depression. It is therefore high time, he thinks, that the influence of the price stabilizers, whose advice "monetary policy all over the world has followed" for the last six or eight years, should be overthrown.

Unlike Wicksell, who was concerned with the effect upon the price level of the divergence of the money rate from the equilibrium rate, Hayek is concerned with the effect of this disparity upon the successive changes in the real structure of production which, in his view, constitute cyclical fluctuations. A "rate of interest which equilibrates the supply of real savings and the demand for capital" is by definition a rate which permits no expansion of bank credit, for every expansion of bank credit means that the demand for capital is in part satisfied not out of savings but from the arbitrary creation of purchasing power by banks. And it is this which causes all the difficulty. For once this artificial stimulus to capital formation is withdrawn, it is discovered that the investments in productive equipment have been so large as to render them unprofitable. A boom consists of a spurt of capital construction financed not from real savings but from bank loans. To prevent the boom one must prevent an expansion of the circulating media. And it is quite utopian to hope to prevent a depression if one fosters a boom. For *the boom is the cause of the depression.*

Dr. Hayek has no illusions that it will be easy for modern societies to eschew bank-credit sprees and thereby escape the headaches that come the morning after. It is pertinent to ask "whether the causes which bring it about that banks increase their deposits through additional credits in periods of boom . . . are inherent in the nature of the system or not." A competitive and profit-seeking banking system cannot resist a demand for additional funds, such as may arise, for example, from new inventions, the discovery of new resources, and the development of new industries. A competitive and profit-seeking banking system can, of course, be restrained somewhat by weapons at the disposal of the central bank, but these weapons are far from adequate to keep rigidly constant the money supply. Should one, then, not argue for the elimination of private banking? Dr. Hayek would reply that a government-owned banking system subjected to political pressures could probably offer even less resistance to the demand for credit expansion. He is therefore able to suggest no more effective reform than the subjection of banks to an extreme degree of publicity.

And may I add that even though a government-owned banking system operated with the utmost scientific precision, it would face no easy problem. For the effective money supply is a product of the decisions of innumerable individuals, not merely of the actions of banks. Hoarding and dishoarding, buying on credit and debt liquidation, rapid circulation of currency and the holding of idle balances, shifts in spending and saving—these suggest the complex factors involved. To devise a scheme of control which will so affect the decisions of competitive commercial bankers, of hundreds of thousands of entrepreneurs, of millions of income receivers that the end result will be a constant effective money supply is a task for the Olympians.

I am not able in this brief review to enter into a critique of Hayek's thesis. I can only state my view that even if we could achieve "money neutrality" we should not thereby reach the desired goal. For money neutrality is no adequate guaranty either of profit stability or of investment stability, far less of business stability.

Unlike Hayek, who in common with unilateral monetary theorists of all schools leans toward a mechanistic and superficially simplified point of view, Schluter is impressed with the great complexity of modern institutional arrangements and the behavioristic elements in the economic and social order. One is led "to believe either that the economic system is evolving into such a state of complexity as to be beyond the possibility of mental grasp or intelligent understanding; or that, if we could explain it, our explanations would not lay the basis for any practical program of corrective measures or control." At any rate, the system has become "highly unresponsive to individualistic measures" and "overwhelmingly unmanageable by the quality of intelligence and action emanating from free competitive individualism."

Yet on one thing he is in agreement with Hayek. The root cause of the appalling breakdown of the economic machine is the improper functioning of the credit system. "The greater reliance by the present economy on the increasing infusion of bank-credit funds for exciting economic activity . . . bids fair to undermine our existing capitalistic structure. . . . As Lenin once said, 'Debauch the currency of capitalism and you destroy the capitalistic system.'" This the whole world has been doing during and since the war and, one may add, is still in process of doing. But Schluter does not believe that the solution can be found in mere reform of the credit system, desirable as many of the current proposals may be. "At this writing, the economic order is seriously sick, defying resuscitation by financial measures desperately employed." He therefore proposes the reconstruction of the business and economic system:

> (1) In the integration of business enterprises into larger organizations, vertically and horizontally, within the confines of a definitely circumscribed industry. (2) In the formation of industrial institutes that should be envisaged as centers of intelligence for developing industrial policies and administering these in the interest of the industry and of the economic system as a whole. (3) In the furtherance of trade-association activities for the purpose of collecting, systematizing, and promulgating data and facts representing trends in industry and economic conditions, to be utilized in the formation of policies by business enterprises. (4) In the inauguration of publicity measures through governmental agencies, or business associations and institutes, embracing uniform accounting standards and practices, governmental certified public-accounting supervision and checks, and the publishing of these financial data to serve as guides to investors and consumers, furnishing them with information as to the appropriateness of prices charged.

There is, moreover, to be a National Economic Council, composed of representatives from the institutes and federations but checked and balanced by the federal government.

> The role of government in the proposed plan would be chiefly one of arbiter, of friendly, paternal advice; but in one respect its powers would be almost dictatorial—in that of control over accountancy, valuations, and capitalizations, and publicity in these matters . . . also in connection with the economic policies having to do with the distribution of money income and the determination of prices.

All this, I take it, sounds not altogether unfamiliar to those who are following closely the political revolution through which the United States is now passing.

Hayek, clinging as he does to the price system, logically approaches the problem of control from the standpoint of monetary stability. But the prospects for success are, I think, unfortunately not great. This is so partly because we do not yet know what kind of monetary stability we want—witness the disagreement between Keynes and Hayek; partly because the instruments of control are too crude to cope satisfactorily with a complex situation involving the psychological reactions of millions of individuals with respect to the disposal of their incomes; partly because a democracy is not likely to pursue, for long, a consistent monetary policy, particularly one which calls for great restraint in the use of credit. Indeed, Hayek himself impresses upon his readers "how little we really know of the forces which we are trying to influence by deliberate manage-

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ment; so little indeed that it must remain an open question whether we would try if we knew more."

But the evolution of social control does not and cannot stand still. The monetary solution failing, or coming too late, inevitably opens the way to more direct methods of control such as those advocated by Schluter—the regulation of production and investment, of wages and prices, through industrial codes enforced by trade associations, trade unions, and ultimately by the government itself. And the economic system is so interwoven and interrelated that the effort to solve one problem raises innumerable new ones. One regulatory policy forces still others. There is no logical stopping-point short of complete economic regimentation.

The competitive price system is a scheme of social organization without resort to mass forces. If and when this system disappears, a syndicalized society will face the terrific problem of social coherence. It is not difficult to see that this problem already looms on the horizon. Unwilling to bear the ills we have, we fly to others that we know not of This, indeed, is the process of history. ALVIN HARVEY HANSEN

## Women of America

*America Through Women's Eyes.* Edited by Mary R. Beard. The Macmillan Company. $3.50.

MRS. BEARD describes her book as designed to illustrate, "if in a fragmentary way, the share of women in the development of American society—their activity, their thought about their labor, and their thought about the history they have helped to make or have observed in the making." To this end she has collected some seventy-five or eighty extracts from women's writings, some of them contemporary with their subjects but a good many of later date, and strung them together with brief prefatory notes which combine a little history or biography with running comments upon the various selections or upon the characteristics of the events or periods to which they relate. The subdivisions in which the extracts are grouped begin with the colonial era and come down through the World War to the confines, at least, of the present struggle with chaos.

Many of the women whose writings are drawn upon bear familiar names, and their inclusion in such a symposium is naturally to be expected. It would not be possible to do justice to women's part in the Revolution without citing Mercy Warren and Abigail Adams, or to deal with women's ideas about slavery without mentioning Lydia Maria Child and Julia Ward Howe, or to pass over the Civil War without quoting Mrs. Roger Pryor or Clara Barton, or to review the emancipation of women from social and political restrictions without instancing Elizabeth Cady Stanton, Victoria Woodhull, Frances E. Willard, and Carrie Chapman Catt. A number of others, however, less generally known but with interesting records in experience or controvery, find place in Mrs. Beard's list. The letter in which Deborah Champion tells of her exploit, as a young woman of twenty-two, in riding through the British lines at Boston in 1775 with dispatches for Washington is an entertaining mixture of artless recital and formal phrasing, and the extracts from "Grandmother Brown's Hundred Years" and the diary of Narcissa Whitman, wife of Marcus Whitman of Oregon fame, are vivid portrayals of personal experiences in frontier Ohio and on an early journey across the plains.

Industrial and social changes bulk large in the latter part of the book, and here Mrs. Beard calls in the specialists: Jane Addams for Hull House; Florence Kelley on labor and tenement-house legislation; Josephine Goldmark on the relation of fatigue to efficiency; and Alice Hamilton on industrial poisons.

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Helen Woodward, of course, writes with preeminent authority about advertising; Josephine Roche, described by Nancy Cattell Hartford, is properly singled out as a striking example of a successful woman business manager, and Mary Van Kleeck shows how a better distribution of wealth may be a better economic way out. The character of these later extracts seems to suggest that Mrs. Beard has been more concerned to exhibit women's part, as investigators, critics, or reformers, in the improvement of economic conditions than in their role as workers or employers, although it must be said that, of the two groups, the critics and reformers have been more vocal.

Perhaps it was not feasible in a book of moderate compass to make the representation of women's work and interests more complete, but the topical omissions are rather striking. The early constitutional period is passed over, slavery holds the field to the exclusion of almost everything else in politics or industry for the generation preceding the Civil War, and national politics everywhere is lightly touched. There is nothing, or next to nothing, about women's interest in art, music, science, philosophy, recent education, or sport, and no reference appears to be made to the great part played by women in the repudiation of national prohibition. The field of literary criticism is represented only by a brief extract from an article by Edith Wharton on the writing of fiction, and women as journalists do not appear at all. One gathers that the women's eyes whose glances Mrs. Beard has assembled are predominantly those of realists, keen observers on occasion but much like men in their attitude toward general issues, increasingly eager to improve social and economic conditions, and with a limited but active interest in causes and reforms. Of these aspects of women's thought and work, as of their personal experiences in widely varied situations, the book offers well-chosen illustrations.

WILLIAM MACDONALD

# High Wind

*Solal.* By Albert Cohen. Translated from the French by Wilfrid Benson. E. P. Dutton and Company. $2.40.

A GOOD novel is one we like; and to this incontrovertible and perfect definition may be added Ruskin's stricture, for the benefit of those who disagree with our tastes, that what *you* like shows you up for what you are.

I happen to like any novel wherein the characters live and the pages are blown by the high wind of creative fancy—let the wind blow from whatever quarter it lists, Hungarian, ovarian, Rotarian, or proletarian. I want a lift, and I'll take it gratefully from Abraham Adams, Corporal Trim, Tony Weller, Sir Willoughby Patterne, Ty Ty, or the Vicomte de Bragelonne, without asking for his blue-hawk button or red card. On the other hand, if the novelist is itchy with philosophic ideas, social problems, or economic theories, let him write articles in *Mind* and *The Nation* or otherwise hang himself. I go to a novel for life; and while life, I grant, is teeming with views, if the breath be absent no posturing of ideals and no fine talk can take its place. I want life, whether it be true or false, of this world or the next, so long as the *ruach,* the *spiritus,* the breath, is there.

This is why I like "Solal" and, liking it, proclaim it a first-rate work. Critics have called it romantic, meaning, I believe, to praise it. This is nonsense, as are all such labels. Realism is, of course, whatever our own generation likes, romanticism is what our fathers liked, and classicism is what our grandfathers liked. Incidentally—to recall a dead, buried, and rotted term—humanism is what we want to think our grandfathers liked. And if our grandchildren continue to like "Solal," in addition to being realistic, romantic, classic, and good, it will earn the title of being a great novel. So much for its classification and pedigree.

Like all fine invention, the book contemptuously breaks these major literary bounds. Half of the action unrolls in the hands of a crew of mad Sephardic Jews buried in the remote, semi-Oriental, and, to the Westerner, altogether fantastic Greek isle of Cephalonia (*alias* Corfu). Yet these whimsical beings are painted with sober factual detail, even to the physiological eccentricity of Ironmaw which gave him the nickname of Captain of the Winds. The remainder of the story is spun around Geneva and Paris; and there, in the familiar heart of Europe, stuffy statesmen, stupid diplomatic receptions, withered Calvinists, and banal stage properties such as old châteaux and ministerial desks are blown out of all immediate recognition by a "romantic" gale.

Similar hash is made of the conventional categories of style. Like Joyce, Albert Cohen uses the full orchestra—the confidential ironic pipes of Sterne, the rowdy drums of Rabelais, the swift narrative horns of Dumas, and the linguistic, psychological jazz saxophones of Joyce himself. It is enough to make a translator throw his typewriter out of the window; and in the present instance it is a pity he did not.

If the author had been a mere imitator, if Joyce *et al.* were, in the cant of criticism, his "sources" and "influences," the result would have been a dull anarchy. Style and form, however, are born and ruled by an inward vision. The controlling "source" is Hebraic—that love of the world which made David sing, "I shall not die, but live and declare the works of the Lord," and Spinoza repeat after him, "Wisdom is a meditation, not of death, but of life." Springing from this vision, which sees joy in creation—"loins raised by the Lord, loins lowered by the Lord, deep thrusts of the Lord"—and which conquers chaos and death, the sallies of style, the alternately languid and hurried narration, the digressions and asides, in themselves the reflections of the fecund jungle of God's world, are as logically and naturally Hebraic as the Talmud.

And where, except in that world, will you find creatures more endowed with life than Uncle Saltiel and his gallants of France, than Adrienne with the "violet splendor" in her eyes, than Solal, the incarnation of Israel? Who could be more alive than the nonagenarian Maimon, the palsied past of the race, borne throughout the globe—and the book—in his coffin? Plumped in Saltiel's colony in Palestine, he rises from his bier and asks, "Am I a population?" My lord Maimon, you are.

Here we touch upon the technical triumph of the work. Solal, the hero, is the symbol of Israel. His story is an allegory of his people from the first descent into Egypt to the last German atrocity, with all their miseries, scandals, sins, and glories. Nothing, you will grant, can be deadlier than symbols and allegories. If anything can, it is, moreover, precisely the one theme the author has chosen to animate his plot—the theme of marriage between Jew and Gentile, commonly treated as a weakly dramatized exercise in sociology. Yet see what happens. For the first time that I can recall, a writer—Albert Cohen—manages to throw the quickening spell of imagination upon this worn theme. The scene in the cellars of Solal's chateau is true creation—a poet come at last to legislate, as is his province, on intermarriage and "assimilation." And never, till the final pages, do symbol and allegory intrude upon the life of the narrative, and then only to transfigure it. "The sun lit up the tears of the blood-stained lord, setting out with his rebellious smile, madly in love with the earth, crowned in beauty, toward the morrow and his wonderful defeat. Solal rode on. He looked the sun in the face."

Uncle Saltiel, stricken in Palestine, puts in his dying words the sum of anti-Semitism and by inversion the spirit of the Jew and the faith of the author: "They don't like people who are too alive."

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It is only fair to warn the English reader that the translation seldom rises to the power of the original and too often sinks beneath its weight of errors into sheer illiteracy. Even without government supervision and a pure-language act, publishers ought to show, like any craftsman, a minimum of respect for their own wares. MARVIN LOWENTHAL

# Dissection of Modern Poetry

*Form in Modern Poetry.* By Herbert Read. Sheed and Ward. $1.

THIS essay is one of a series called "Essays in Order" published under the general editorship of Christopher Dawson and T. F. Burns. The particular problem of "order" discussed by Mr. Read is the modern poet's. Mr. Read inclines, as do other critics, to break down the usual distinctions between the romantic and the classical traditions. His method, like Richards's, is psychological. Defining form as of two types, organic and abstract, he proposes to investigate organic form, "that form which art takes when it has its own inherent laws, originating with its very invention and fusing in one vital unity both structure and content." This leads him into a chapter on personality and character. From definitions by psychologists and comments by poets concerning their creative activity, he concludes that character, "a disposition in the individual due to the repression of certain impulses," is opposed to personality, "the general common denominator of our sentiments and emotions." The poets must have personality, therefore, rather than character. And the ideal personality, for the poet, is "that of a man ever capable of adapting his being to the movements of his thought and whose thought is in accord with the universal." Here Mr. Read is taking his theory in part from Fernandez, and implying that such use of the word "personality" is in agreement with Eliot's remarks on the necessary impersonality of a work of art. A poet who has this ideal personality achieves form without the loss of sensibility.

The earlier Wordsworth and Hopkins, according to this critic, prove how the "ideal personality" revitalizes poetry. Both poets, having cast off the tyranny of obsolete laws (character) were under the necessity of originating their own (personality). The great long poem, unlike the lyric, in which form and conception are unobtrusively present, relies on a kind of intellectual structure. In it the poetic personality is present in ordered units. The type of the long poem determines, apparently, the kind of units.

Mr. Read's last chapter brings these definitions to focus on modern poetry. He believes that the better moderns, living in an age neither romantic nor classical, according to the usual historical definitions of those terms ("in an age of satiety but not of solidity"), have had no alternative but to rely "on a coherence of the personality based on the widest evidence of the senses."

All of this is suggestive, but in Mr. Read's mere outline—an outline in which the relationship between one series of definitions and another is not always clear—it leaves many problems to be solved. The general tendency in much modern criticism is to turn to psychology for redefinition of the creative act. Such definitions neglect the historical view of movements, neglect the scene which is being absorbed by the artist, neglect the study of the work of art itself, in favor of a study of the mental processes by which the work came into existence. And in any study of the mental processes such as Mr. Read's we are, moreover, relying upon psychological definitions which may themselves soon be out of date. We should like to ask Mr. Read just what poets—other than Shakespeare, whom he names—have had this "ideal personality." We do not under-

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stand why it may not be shown that much great poetry has come from an overdevelopment of some one sensibility in an artist.

"Form in Modern Poetry" seems, indeed, a compilation and reassimilation on Mr. Read's part of much that has been stated and studied by other modern critics of poetry. Nor does his own position emerge plainly enough to contribute greatly toward clearing away the present confusion of philosophical, psychological, sociological, and historical theories in the field of aesthetics.

EDA LOU WALTON

## Shorter Notices

*Mandoa, Mandoa!* By Winifred Holtby. The Macmillan Company. $2.50.

Belonging to the genre of whimsical satire, in which English wit seems especially proficient, "Mandoa, Mandoa" is a tale ingeniously conceived to exalt the barbaric virtues at the expense of a decadent white man's civilization. Taking her cue undoubtedly from the recent furor over an Abyssinian coronation, Miss Holtby creates the land of Mandoa, an independent principality in Africa inhabited by a mixed Arabian and Negroid race professing Catholicism and practicing slavery and other savage customs. She then betrays Mandoa into the hands of Sir Joseph Prince, head of Prince's Tours, Ltd., who decides on the audacious enterprise of modernizing the country and making it a popular resort for jaded Englishmen. The result is a highly diverting story, rich in comic situations and witty misadventures, all designed to explode the smugness of a "white man's burden" attitude toward the lower races.

*The Summer Flood.* By Goronwy Rees. The John Day Company. $2.50.

A delicate and decorous little idyl about two Welsh lovers of eighteen or so who take 200 pages to come diffidently to an embrace and less than half a dozen to meet their deaths, drowned in the rough sea which had carried them safely, a few hours before, to their island of love. Although the writing is smooth and distinguished and the characters clearly outlined in the progress of a particular emotion, the novel lacks substance to bear the weight of its sudden and crushing end. This Owen and this Nest are too fragile to have embarked on so perilous a voyage. Mr. Rees should try again with something as distinguished and less fragmentary.

*Volume the First.* By Jane Austen. Oxford University Press. $2.

At fifteen Jane Austen, like many another fifteen-year-old, was a prolific writer and constantly edified her long-suffering family with the effusions of her busy pen. These fragments from a copy-book comprise various chapters of unfinished novels and plays, a poem or two, and a few Miscellaneous Thoughts. They show that Miss Austen was determined to write if the skies fell, that she was as busy a reader as she was a writer, and that she already had developed the sharp nose for the pseudo and the overdone which she was to use so effectively when she grew up. She was capable of burlesquing the novels which she read and which later she improved upon. In these early heroines "every virtue met," particularly in one Lady Williams, "a widow with a handsome Jointure and the remains of a very handsome face." Her heroes were "amiable, accomplished, and bewitching," of "so dazzling a Beauty that none but Eagles" could look them in the face. In other words, this is the most charming youthful horseplay at the expense of dull and stupid and tasteless writers. It is written very much in the tone of Jane Austen's early letters, when she was so impatient with the



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things and persons that bored her. And it springs out of the unquenchable exuberance of the born writer, who, before he has anything to say himself, will write about what others have written, even though it be merely to poke fun at it. In time some enterprising anthologist of humor will come across Miss Austen's early works, and thousands of readers will then be able to laugh at them. Meanwhile, the Oxford Press is to be congratulated on its steady progress toward a complete and definitive edition of all her writings.

*Dictionary of American Biography.* Edited by Dumas Malone. Volume IX: *Hibben-Jarvis;* Volume X: *Jasper-Larkin.* Charles Scribner's Sons. $12.50 a volume; $250 for the set of twenty volumes.

With these volumes the "Dictionary of American Biography" reaches its halfway point and becomes definitely appraisable; for in view of the consistency with which its program has been carried out through the first ten volumes one can predict what the ten to come will be. They will be, as on the whole these ten have been, authoritative, interesting, critical, and well written; and the work when finished will easily be the best thing of its kind ever attempted in the United States. Since the "Dictionary" was first noticed in *The Nation* there has been a change of editorship, the death of Allen Johnson necessitating a new appointment. But this circumstance has neither impeded the progress of the work nor brought about any discernible alteration in its character, Mr. Malone having been able, it would appear, not only to discover where his predecessor left off but to start from there with an excellent program of his own. Mr. Malone's article on Jefferson in Volume X might be compared, for instance, with Allen Johnson's earlier article on John Brown; in both articles there is a complete awareness of controversial elements in the subject matter under discussion, and a thorough acquaintance with the possible points of view, without, however, anything which sounds like partisanship or prejudice. At the same time the writing is firm and incisive, and the final judgment is fearlessly given. Such for the most part is the quality of the entire work. The contributors are chosen for their special knowledge; the editors apply the strictest standards of accuracy and good style; and the publishers produce a series of volumes whose dignity and taste are in keeping with the contents.

*Jealous Mountains.* By George Whitsett. The Centaur Press. $3.

In England the fashion of pastorals and long-winded romances after the manner of Mademoiselle Scudéry lasted far into the eighteenth century, and some vestiges of its worse faults are to be found in the poorer American novels of the early nineteenth century. There is no reason for the general reader to remember them; they were the elaborately sterile ending of a good tradition which outlived its usefulness; but it is interesting to learn that they are so completely forgotten that the publishers of Mr. Whitsett's first novel should ask that it be considered as a new technique. It is true that the old writers were not so self-conscious or labored in their efforts to secure verbal effects—their vocabulary was largely ready made—nor had they such words and phrases as "micrograndeurs," "curving continum," "valleculae," or "obedience of sentients" for which to find uses, but Boyle, to name only one, might readily have used lens for eye, had he needed it, and spelled drought, "drouth" as Mr. Whitsett does. Yet each of them equaled him in euphuisms, verbiage, and bombast, and all of them were more intelligible and, one hopes, more absorbing to their contemporaries. While the mixture of allegory, pastoral, moral tale, and utopian romance is dull, it is Mr. Whitsett's style which makes his book absurd. He does not, like Joyce, attempt to create a vocabulary, he merely uses words unnecessarily. His

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princess starts to climb through "a bay of blossoms" to the home of the mountain man Ernest, who looks like the Great Stone Face: "Following the dividuals, she at length surrendered—pursuing subsequence as far as the squills, along to the pisiform minutiae, climbing ever towards the tingling mood." The context offers no clue.

# Drama

## Left at the Post

IN the theater Labor Day is supposed to mark the division between a vague pre-season and the season itself. Sometimes it actually does, but this year the distinction was purely nominal, and up to the present writing at least, we have had only the outward and visible sign unaccompanied by the slightest evidence of spiritual grace. With one possible exception all the new plays now running are of the forlornly piffling sort which over-sanguine authors produce with their own money or persuade inexperienced entrepreneurs to undertake. The exception is William A. Brady's production of an English parlor entertainment called "The Party" (Playhouse), in which Mrs. Patrick Campbell gives an imitation of herself as a famous actress trading dirty digs with a younger performer supposed to represent our own Tallulah Bankhead. Probably the best of those which are not exceptions is "The Sellout," a commendable if somewhat amateurish attempt to achieve the impossible by making dramatic radio seem even funnier than it is generally recognized to be. Unfortunately, however, neither of these offerings is strong enough to have the slightest chance of giving this dubious theatrical year the happy beginning for which everyone is hoping. A few spectators may have cried "They're off!" but all the contestants were left at the post.

Meanwhile we are entitled to some comfort in the fact that the theater as a business institution has taken the NRA with sufficient seriousness to formulate a code which promises to set its own house in order and to do something for the public besides. Since both Actors' Equity and the various unions of theatrical workers are unusually strong, the code has comparatively little to say about working conditions except in so far as they relate to hours of rehearsal, but it does fix minimum wages for actors—dependent upon the number of years of the performer's experience and upon the price at which tickets to the performance are sold—and it promises complete abolition of the old, persistent, well-nigh intolerable evil of ticket speculation.

At first sight the code itself seemed alarmingly vague in regard to this last important matter. In one sentence it wipes out completely the fraudulent practice of distributing so-called passes which actually entitle the holder to a cut price; and in regard to the equally common practice of selling tickets through agencies at an *advanced* price it provides that a "reasonable number" of tickets shall be reserved for sale at the box office and that the remainder shall be disposed of only to such agents as charge no more than a "reasonable" fee for handling them—leaving the definition of "reasonable" to a national theatrical committee composed of five men representing the producers, the actors, the dramatists, the stage hands. Now, however, this committee seems anxious to do the right thing. It has begun by deciding to license all agents and to fix seventy-five cents as the maximum agency fee. The committee has also abolished completely what is called the "buy"—the practice, that is, of selling to agents in advance of the opening large blocks of tickets covering the first four to twelve weeks of a promising new offering. The practice was often advantageous to the producer, who could thus finance his undertaking, but it put tickets to a successful show into the hands of agents who sold them at high prices to make up their losses upon the unsalable admissions to less successful plays which they had had the bad judgment to buy, or which, perhaps, they had been compelled by the producer to take in order to be allotted the tickets they wanted for some other show.

The difficulties in the way of a serious attempt to abolish the evil of speculation are, to be sure, enormous. The illegitimate agents have various ways of getting tickets even when the producer makes a serious effort to prevent speculation. Often, also, when the latter has a hit he yields to the natural temptation to sell tickets at a higher box-office price to these agents themselves, and often when he has refused to do so he yields to pressure or agrees to take his profit from an abuse which he has found it impossible to prevent. Yet there can be no doubt that the managers would themselves profit in the long run if the evil could be abolished. The theater cannot really compete with the moving pictures as long as theater-going is made so difficult, and the would-be patron of a successful show is compelled to embark upon an often difficult, uncertain, and highly expensive enterprise when he promises to take a friend to a certain play. It is much easier to decide at the last moment to go to the movies. One knows at least what one is in for.

The test will come of course, as it has always come in the past, when some manager with a hit on his hands decides to desert the ranks of his fellows, who, being momentarily less successful, are anxious to stick together. But if speculation is really abolished, Mr. Roosevelt will not have lived in vain.

JOSEPH WOOD KRUTCH

## Contributors to This Issue

WILLIAM F. OGBURN, professor of sociology at the University of Chicago, has recently resigned from the Consumers' Advisory Board of the NRA.

JOHN GUNTHER is the Vienna correspondent of the Chicago *Daily News*.

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C. HARTLEY GRATTAN is the author of "Why We Fought," "Bitter Bierce," and "The Three Jameses."

ANGEL FLORES is finishing a book on the contemporary European novel.

ALVIN HARVEY HANSEN, professor of economics at the University of Minnesota, is the author of "Economic Stabilization in an Unbalanced World."

WILLIAM MACDONALD contributes historical and political reviews to *The Nation* and other periodicals.

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EDA LOU WALTON, associate professor of English at Washington Square College, New York University, is the author of "Jane Matthew and Other Poems."

Next week in *The Nation*

**Can the NRA Succeed?**

*By Albert Evans*



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